County of Los Angeles
**CHIEF EXECUTIVE OFFICE**
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WILLIAM T FUJIOKA
Chief Executive Officer



December 18, 2007

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**DEPARTMENTS OF HEALTH SERVICES AND MENTAL HEALTH: AUTHORIZATION FOR RETROACTIVE PAYMENTS FOR SERVICES, APPROVAL OF A NEW AGREEMENT AND AUTHORIZATION TO CONTINUE THE PHARMACEUTICAL REBATES PROGRAM, RATIFY EXISTING REBATE BUSINESS AGREEMENTS AND AMENDMENTS, AND DELEGATION OF AUTHORITY FOR FUTURE REBATE AGREEMENTS AND AMENDMENTS**
**(ALL SUPERVISORIAL DISTRICTS)**
**(3 VOTES)**

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Authorize the Director of Health Services (DHS), or his designee, to: 1) make a retroactive payment in the amount of $70,446 to The Regents of the University of California, Los Angeles (UCLA), for diagnostic interpretation of pathology slides provided for Olive View-UCLA Medical Center (OV-UCLA) from October 2006 through June 12, 2007, 2) make payments in the total amount of $671,519 to cover salary increases granted by The Regents of the University of California (UC) to its housestaff/residents at OV-UCLA for Fiscal Year (FY) 2006-07 ($483,804) and FY 2007-08 ($187,715) and 3) make a total retroactive payment of $83,202 to Health Management Associates (HMA) for consulting services, all actions are 100 percent net County cost.

2. Approve and instruct the Director of DHS, or his designee, to sign an Agreement with UCLA, substantially similar to Exhibit I, for diagnostic interpretation of pathology slides at OV-UCLA effective upon date of Board approval through June 30, 2008, with a maximum obligation of $60,000, and six month-to-month extensions through December 31, 2008, upon mutual agreement of the parties, at the same cost.

3. Delegate authority to the Director of DHS, or his designee, to approve future annual salary adjustments up to five percent per year that UC may grant their housestaff at OV-UCLA and increase the maximum obligation under the Medical School Affiliation Agreement accordingly.

4. Ratify existing rebate agreements and amendment between the Department of Mental Health (DMH) and four pharmaceutical companies, AstraZeneca Pharmaceuticals LP (Exhibit II), Bristol-Myers Squibb Company (Exhibit III), Janssen Pharmaceutical Products, L.P. (Exhibit IV), and Pfizer, Inc. (Exhibit V). The effective dates of these agreements and the rebate percentages received by DMH are identified on (Attachment VI). Under these agreements, DMH receives an access rebate on the total dollar value of pharmaceutical products paid for by DMH.

5. Approve and instruct the Director of Mental Health or his designee to execute Amendment No. 2, substantially similar to (Exhibit VI), to the existing Board approved Business agreement with Eli Lily and Company, to extend the term of this agreement to April 30, 2010. Under this agreement, DMH receives an access rebate on the total dollar value of pharmaceutical products paid for by DMH.

6. Delegate authority to the Director of DMH, or his designee, to execute new rebate agreements, including agreements with additional pharmaceutical companies, and future amendments, including adjustments to rebate percentages of the pharmaceutical products, and additions or deletions of pharmaceutical products, and extension of the term, provided that approval of the CEO and County Counsel is obtained prior to the execution of any such agreement or amendment, and the Director of DMH provides written notification to your Board within 30 days after the execution of any such agreement or amendment.

7. Authorize the acceptance of approximately $2.6 million in rebates received by DMH through its Pharmaceutical Rebates Program.

## PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

Approval of these recommendations will authorize the Director of DHS to make payments to UCLA and HMA, as discussed further in Attachments I, II, III, and IV. Approval of the agreement with UCLA will allow for the provision of highly specialized diagnostic services on an intermittent basis at OV-UCLA. Approval of the recommended actions will also allow DMH to accept retroactive rebates and continue the Pharmaceutical Rebates Program, as discussed further in Attachment V.

As we advised your Board in our August 13, 2007 memorandum, we have established a three-member Retroactive Contract Review Committee (RCRC), consisting of staff from Chief Executive Office (CEO), as chair, the Auditor-Controller and the Internal Services Department. The role of the RCRC is to review all retroactive requests, including the corrective action plans, prior to their submission to your Board. The RCRC reviewed and discussed with DHS the request for retroactive payments to UCLA and HMA and reviewed and discussed with DMH acceptance of retroactive rebates. The RCRC has approved the DHS and DMH submission to your Board.

### UCLA Pathology Outreach Services

For several years, physicians at OV-UCLA have been using UCLA for specialized laboratory testing for processing and reviewing slides to determine whether samples are cancerous. In the past, UCLA had provided these services at no cost based on the well-established relationship between UCLA physicians at OV-UCLA and UCLA. UCLA management became aware of these no-charge services and in May 2006, instructed the UCLA lab to begin charging for these services. After several discussions, OV-UCLA agreed to pay for the tests and requested a Purchase Order (PO) in October 2006. The PO mistakenly characterized the requested services as consultant services and was rejected by ISD, per County purchasing policy. There was a delay at DHS in elevating the issue and requesting that an agreement be established for the services. A PO was established effective June 13, 2007. As a result of the delay, a retroactive payment in the amount of $70,446 is being requested for the period of October 2006 through June 12, 2007.

Because of the longstanding contractual relationship, the critical nature of these services, and DHS acceptance of the contractor's notification to charge for the services, the RCRC recommended this payment move forward for approval. RCRC expressed concern with the lengthy delay in seeking contract authority and this has been addressed in the DHS corrective action plan. For further information, see Attachment I.

UCLA Housestaff

On June 20, 2006, your Board approved a replacement Affiliation Agreement with UCLA for Purchased Academic Services and certain patient care services at OV-UCLA, effective July 1, 2006 through June 30, 2011, with an annual maximum obligation for FY 2006-07 of $25,329,500. A two percent COLA for UCLA's housestaff at OV-UCLA was included in the replacement agreement's salary cost to become effective on October 1, 2006. However, effective July 1, 2006, UC granted UCLA housestaff an unanticipated increase in salary varying from 1.5 percent to five percent, depending on the Physician Post-Graduate Year. The total dollar amount of the two COLAs granted in FY 2006-07 was $483,804 for the 180.33 UCLA residents working at OV-UCLA. Effective July 1, 2007, UC granted UCLA housestaff another three percent COLA for FY 2007-08 which amounts to $187,715.

Because the salary increases are granted by The Regents of UC for the entire UC system, the County's cost for obtaining these resident services are also increased under the contract with UC, the RCRC recommended this payment move forward for approval. Similar to the UCLA pathology services previously discussed, RCRC noted the excessive delay in pursuing contract authority and this has also been addressed as part of the DHS corrective action plan. For further information, see Attachment II.

To prevent future requests for retroactive payments, DHS is requesting that the Board delegate authority to the Director to increase allocations in the UCLA Affiliation Agreement for UCLA housestaff salaries to address COLAs that the UC may grant in the future.

Health Management Associates (HMA)

1) Services related to the Juvenile Court Health Services in the amount of $55,962:

On May 9, 2006, the Board approved a sole source Agreement with HMA for the provision of consultant services related to the reconfiguration of clinical and related services at LAC+USC Medical Center. The Agreement provided for analyzing key areas of LAC+USC's operations and pinpointing efficiencies that would make the transition to the Replacement Facility a smoother process. The Agreement expired April 30, 2007.

Before the Agreement expired on April 30, 2007, the Department requested HMA to perform additional work at Juvenile Court Health Services related to a report due to the Department of Justice. Consequently, the Department also learned that the maximum obligation of $544,800 would not cover all the services expected to be provided through the end of the contact term. It was determined that HMA performed additional services in an amount totaling $140,624. Of this amount, HMA will be reimbursed $54,480 using authority delegated in the Agreement allowing the Director to increase the maximum

obligation by 10 percent. The Department is requesting authority to reimburse HMA for those services related to Juvenile Court in the amount of $55,962. HMA has agreed to absorb the remaining outstanding balance of $30,182.

2) Services related to Martin Luther King, Jr. – Harbor Hospital in the amount of $27,240:

On June 19, 2007, the Board approved an agreement with HMA for consultant services including the implementation and completion of long-term and lower level care related to the LAC+USC Replacement Project and assisting in the implementation of the Multi-Service Ambulatory Care Center (MACC) at Martin Luther King, Jr. through November 30, 2007, for a total cost of $272,400. The Department requested HMA to perform additional MLK MACC related services, as a result, it was determined that HMA provided additional services in an amount totaling $75,277. The Agreement delegated authority to the Department to increase the maximum obligation by 10 percent, or $27,240. However, the Department did not fully follow the contract's provision related to the exercise of the 10 percent option. While the Department did provide the notice to the contractor, the required prior approval by County Counsel and CEO and the creation of a written amendment were not completed. The Department is requesting authority to reimburse HMA $27,240. HMA accepts reimbursement of $27,240 as payment in full and has agreed to absorb the remaining balance of $48,037. To curtail additional retroactivity, the Director of DHS will be requesting authority in a separate Board letter to execute an agreement with HMA going forward.

The Department felt that the services provided for Juvenile Court Health Services and MLK MACC were critical and urgent, as a result the RCRC agreed to recommend these payments for approval. RCRC also noted that these contracting matters were well known to DHS Executive Management, that follow-up actions were not undertaken to ensure that contract amendments were executed, and that the corrective action plan should be targeted accordingly. For further information see Attachments III and IV.

**Corrective Action**

The corrective action includes the implementation of a mandatory intensive contract training program developed in collaboration with County Counsel and Internal Services Department and for all staff including executives, managers, and line staff throughout the Department. This training emphasizes the legal authority to enter into contracts, purchase order and contract limitations, and purchasing and contracting processes. Additional corrective actions are noted on Attachments III and IV.

Further, in both of these instances, DHS proceeded with the services based on the critical need related to two highly visible program areas, but did not ensure that County contract requirements were met. Therefore, my staff discussed these two situations with DHS Executive Managers to emphasize the need to ensure that those requirements are met by taking full advantage of expedited review offered by my office and County Counsel, prior to authorizing and initiating contract services. Consistent with actions taken by your Board to address the problem of retroactive contracts, compliance with contracting and other County requirements will be considered in evaluating overall performance by managers in County Departments.

Pharmaceutical Rebates Program

On March 26, 2002, the Board approved a Rebate Agreement with Eli Lilly. After receiving Board approval of the agreement with Eli Lilly, it was DMH's intent to seek similar agreements with other pharmaceutical companies. The former Pharmacy Services Chief believed that Board approval of the first Rebate Business Agreement with Eli Lilly provided the department with delegated authority to enter into similar agreements and amendments with other pharmaceutical companies. Due to this misunderstanding, DMH entered into agreements and amendments with AstraZeneca Pharmaceuticals LP, Bristol-Myers Squibb Company, Janssen Pharmaceutical Products, L.P., and Pfizer, Inc.

County Counsel has advised that, as a technical contracting matter, your Board should ratify these agreements and amendment to allow DMH to continue to receive rebates. The retroactive effective dates of these agreements will enable DMH to receive the maximum amount available through the Pharmaceutical Rebates Program with each Pharmaceutical Company.

The contracts related to the Pharmaceutical Rebates Program were discussed with the Retroactive Contracts Review Committee on September 19, 2007, and included discussion and RCRC guidance regarding the circumstances that led to the unauthorized contracts, and the departments actions taken in response to this as well as the corrective action plan to mitigate future occurrences. The RCRC commented that although these contracts did not represent the same type of retroactive contract that the Board expressed concern with in the May 22, 2007 Board motion, County contracting procedures were not followed. Because these agreements bring funds to DMH in the form of rebates, lowering pharmaceutical costs while allowing the department to continue to provide the much needed level of psychiatric care, the RCRC recommended these contracts move forward for approval.

**Corrective Action**

DMH Executive Management has educated managers and provided training on procurement and contracting to increase knowledge and awareness that contracts, payments, and revenue (including rebates) require Board authorization. This training emphasized the legal authority to enter into contracts, purchase order and contract limitations, and purchasing and contracting processes. Additionally, the department will conduct more extensive monitoring to ensure compliance with County and departmental polices and procedures and, thereby, prevent recurrences of contract retroactivity and acceptance of rebate payments without Board authorization. Additional corrective actions are identified on Attachment V.

## FISCAL IMPACT/FINANCING

Department of Health Services

The total cost of the retroactive payments for UCLA is $741,965 ($70,446 for UCLA for lab services for October 2006 through June 12, 2007 and $671,519 for housestaff COLAs for July 1, 2006 through June 30, 2008).

The maximum obligation of the agreement with UCLA is $60,000, with costs to be prorated for any extension beyond June 30, 2008.

The total cost of the retroactive payments for HMA is $83,202 ($55,962 for HMA for April 1 through 30, 2007 and $27,240 for HMA for September 1, 2007 through September 30, 2007).

Funding is included in the Department's FY 2007-08 Final Budget. No additional net County cost is required.

Department of Mental Health

There is no additional net County cost. These rebate agreements and amendments will provide DMH with approximately $2.0 million in annualized savings.

## FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The RCRC has discussed each of these items with DHS and DMH and has approved the payments for the retroactive services and acceptance of retroactive rebates.

Agreement with UCLA

The Agreement with UCLA will be effective date of Board approval through June 30, 2008, with six month-to-month extensions through December 31, 2008. DHS will be conducting a Request for Proposals (RFP) for laboratory services in 2008. Upon its completion, new contracts will be submitted for Board approval. In the meantime, OV-UCLA requires UCLA's services since OV-UCLA does not have the resources to perform the highly specialized lab services and consultation.

The Agreement includes all the Board-mandated provisions.

County may terminate the agreement upon 30 calendar days notice.

County Counsel has approved the Agreements, Exhibits I-VI, as to form.

Attachments I-VI provides additional information.

## CONTRACTING PROCESS

This is a short term sole source Agreement due to the technical capability and reputation of the UCLA Pathology Department and its partnership with OV-UCLA until the RFP can be completed. Currently, services are being provided under a purchase order until the contract is approved.

**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Reimbursement of these costs will allow the vendors to be reimbursed for services already provided and will bring funds to DMH in the form of rebates. Approval of the agreements will ensure continued critical lab services for OV-UCLA and continuation of the Pharmaceutical Rebates Program with DMH.

Respectfully submitted,

WILLIAM T FUJIOKA
Chief Executive Officer

WTF:SRH
SAS:LT:bjs

Attachments (12)

c: County Counsel
Auditor-Controller
Director and Chief Medical Officer, Department of Health Services
Director, Internal Services Department
Director, Department of Mental Health

121807_DHS and DMH_Retro

ATTACHMENT I

# RETROACTIVE CONTRACTS/PAYMENTS REPORT/CHECKLIST

| | |
|---|---|
| Department Name: | Health Services |
| Department Contact Name: | Gretchen McGinley |
| Departmental Contact Title: | Interim CEO, Olive View-UCLA Medical Center |
| Departmental Contact E-mail: | gmcginley@dhs.lacounty.gov |
| Departmental Contact Phone Number: | 818.364.3002 |
| Contract Title, Purchase Order, or Blanket Purchase Order No.: | |
| Vendor Name: | The Regents of the University of California, Los Angeles (UCLA Pathology Outreach Services) |
| Type of Service(s): | Specialized laboratory testing services |
| Period of Service: | Services previously provided at no cost. |
| Retroactive Period: | October 1, 2006 to June 12, 2007 |
| Total Contract/Purchase Order Amount: | |
| Retroactive Amount: | $70,446 |

**Type of Retroactivity:**

| Description | Yes ✓ | N/A ✓ |
|---|---|---|
| The goods or services were ordered without a valid Purchase Order* or Board contract ever being established. | | X |
| The services exceeded the scope and/or amount of a valid Board-approved contract. | | X |
| The retroactive services were ordered after the expiration of a valid Board-approved contract. | | X |
| The retroactive services were an unauthorized/unreported extension of a prior Purchase Order(s)* issued by ISD that occurred after reaching the $100,000 statutory threshold of the Purchasing Agent in order to continue services. | | X |
| The retroactive goods and/or services were previously ordered and/or obtained via Departmental Blanket Purchase Order(s).** | | X |
| Other (Explain Below) | | X |

* Attach Purchase Order(s).

** Attach eCAPS transaction report on referenced Blanket Purchase Order(s).

## General Information

### Background

For several years, physicians at Olive View-UCLA Medical Center (OV-UCLA) have been using UCLA Pathology Outreach Services for certain highly specialized lab tests because of the clinical quality and diagnostic benefits.
The specialized lab testing includes the processing and reviewing of slides to determine whether samples are cancerous. In the past, UCLA had provided these services at no cost based on the informal relationship established between UCLA physicians at OV-UCLA and UCLA. UCLA management became aware of these no-charge services and in May 2006, instructed the UCLA lab to begin charging for these services. OV-UCLA requested that UCLA lab continue to provide the services at no cost, until the quantity of services and the pricing of the services could be determined and agreed upon. After several discussions and meetings to gather data including a price list and the average volume of services that would be provided, OV-UCLA agreed to pay for the tests following submission of an HS2 in October 2006. UCLA lab had accepted charges up to October 2006.

### Determination of payment amount

The payment amount is based on monthly invoices varying from $3,095 to $15,515.

### Vendor invoices

Not applicable.

### Disciplinary action

Reinforce with all managers and staff the need to timely and appropriately elevate critical contract and purchasing issues to hospital CEO. If indicated, formal action to counsel and document employees inappropriate actions will be taken.

### Corrective action plan

On June 13, 2007, Purchase Order # T43177-1000 for $65,000 was established by ISD for ongoing services until a new agreement is put in place. ISD attended OV-UCLA's September 2007 Management Staff meeting to provide all managers with a remedial training session on purchasing practices.

OV-UCLA administration instructed: 1) OV-UCLA physicians and Lab Management to not request work of UCLA that can be completed in-house, and 2) Lab Management to maintain a log of all lab testing work that is requested of UCLA and perform monthly reconciliation of logs to invoices to verify completion of work by UCLA. This would be done prior to approval for payment of any UCLA invoices.

OV-UCLA administration developed policies/procedures that will provide guidelines to all hospital departments regarding process required to initiate a Board approved contract. This would include creation of a form similar to an HS2 that will be utilized to start the process. Routinely, at six month intervals, Administration will monitor Lab Management's compliance with new protocols.

The Department of Health Services is requesting Board approval of an agreement.

**Procurement Accountability/Responsibility**
The HS2 was to be used on a temporary basis until a Board-approved agreement could be put in place. The HS2 was rejected by ISD because the HS2 mistakenly characterized the requested services as consultant services. There was a delay in elevating the issue and requesting that an agreement be established for the services.

**Fiscal Accountability/Responsibility**
See above.

**Urgency**
These services are needed on an ongoing intermittent basis.

**ATTACHMENT II**

**R E V I S E D**

# RETROACTIVE CONTRACTS/PAYMENTS REPORT/CHECKLIST

| | |
|---|---|
| Department Name: | Health Services |
| Department Contact Name: | Fred Leaf |
| Departmental Contact Title: | Director, Contract Administration and Capital Planning |
| Departmental Contact E-mail: | fleaf@dhs.lacounty.gov |
| Departmental Contact Phone Number: | 213.240.7738 |
| Contract Title, Purchase Order, or Blanket Purchase Order No.: | H-702099 |
| Vendor Name: | University of California |
| Type of Service(s): | Housestaff Services |
| Period of Service: | July 1, 2006 to present |
| Retroactive Period: | July 1, 2006 to December 11, 2007 |
| Total Contract/Purchase Order Amount: | $25,329,500 per year |
| Retroactive Amount: | $671,519 |

**Type of Retroactivity:**

| Description | Yes ✓ | N/A ✓ |
|---|---|---|
| The goods or services were ordered without a valid Purchase Order* or Board contract ever being established. | | **X** |
| The services exceeded the scope and/or amount of a valid Board-approved contract. | **X** | |
| The retroactive services were ordered after the expiration of a valid Board-approved contract. | | **X** |
| The retroactive services were an unauthorized/unreported extension of a prior Purchase Order(s)* issued by ISD that occurred after reaching the $100,000 statutory threshold of the Purchasing Agent in order to continue services. | | **X** |
| The retroactive goods and/or services were previously ordered and/or obtained via Departmental Blanket Purchase Order(s).** | | **X** |
| Other (Explain Below) | | |

* Attach Purchase Order(s).

** Attach eCAPS transaction report on referenced Blanket Purchase Order(s).

## General Information

**Background**

For many years, the County has purchased housestaff (residents and fellows) services from the University of California (UC) through the UCLA Medical School Affiliation Agreement (MSAA) which includes 82 residents in the County sponsored Medicine Program. The contract is amended periodically (but, per provision of the contract, no more often than annually) and payment rates are adjusted at that time to reflect the latest S&EB paid by UC to their housestaff. The determination of whether a cost of living is provided is made by the UC Office of the President in Oakland and dictated to the campuses. Individual campuses, such as UCLA, do not control this decision.

On June 20, 2006, the Board approved the latest MSAA effective July 1, 2006. In July 2006, UC granted a salary increase to the housestaff effective July 1, 2006. The percent of that raise varied from 1.5% to 5% depending on the Physician Post-Graduate Year, and an additional 2% was granted in October 1, 2006. Effective July 1, 2007, UC granted another 3% raise. While the Department anticipated a COLA in October 2006 and funding was included in the Agreement, the Department did not anticipate the July 2006 COLA and therefore had to marginally increase the amount previously included for the October COLA. This change was necessitated by the UC Regents' action to grant an additional COLA in July which increased the salary base.

However, because the UC Regents granted a COLA in July 2006, the amount included for the October 2006 COLA had to be adjusted to reflect the increase resulting from the July 2006 action by the UC Regents. The $671,519 includes $483,804 for the July 2006 COLA and the associated marginal increase for the October 2006 COLA. The remaining $187,715 is for the July 2007 COLA. Of the 180.33 UCLA residents rotating through OV-UCLA, 82 residents are in the County sponsored Medicine Program. The remaining residents that rotate to OV-UCLA are in UCLA sponsored programs.

The Department's business practice for these contracts is to pay the full resident salary in accordance with the UC's determination. This is the same business practice the Department employs for County residents that rotate to non-DHS facilities; e.g., the non-DHS hospital would be expected to pay the entire salary cost.

**Determination of payment amount**

Not applicable because the retroactivity is due to the UC's process for determining and granting cost of living increases.

**Vendor invoices**

Not applicable.

**Disciplinary action**
This retroactive payment is requested to make whole a long-standing partner (UCLA). For hospitals that buy resident services from us, we would expect them to reimburse us for unanticipated COLAs. In addition, the July 1, 2007 COLA could not have been reasonably foreseen. Therefore, disciplinary action is not warranted.

**Corrective action plan**
To prevent future requests for retroactive payments, DHS is requesting that the Board delegate authority to the Director to increase allocations in the UCLA Affiliation Agreement for UCLA housestaff salaries to address COLAs that the UC may grant in the future.

**Procurement Accountability/Responsibility**
Not applicable. No departmental policies were violated.

**Fiscal Accountability/Responsibility**
UCLA notified the Department of the July 1, 2006 cost of living increase in early July 2006 following Board approval of the new agreement and of the July 1, 2007 increase in June 2007.

**Urgency**
Services are continuing on a 24 hour 7days a week basis.

ATTACHMENT III

# RETROACTIVE CONTRACTS/PAYMENTS REPORT/CHECKLIST

| | |
|---|---|
| Department Name: | Health Services |
| Department Contact Name: | John R. Cochran III |
| Departmental Contact Title: | Chief Deputy Director |
| Departmental Contact E-mail: | jcochran@ladhs.org |
| Departmental Contact Phone Number: | 213.240.7926 |
| Contract Title, Purchase Order, or Blanket Purchase Order No.: | H-702029 |
| Vendor Name: | Health Management Associates |
| Type of Service(s): | Consulting Services |
| Period of Service: | May 9, 2006 through April 30, 2007 |
| Retroactive Period: | April 1, 2007 through April 30, 2007 |
| Total Contract/Purchase Order Amount: | $544,800 |
| Retroactive Amount: | $55,962 |

**Type of Retroactivity:**

| Description | Yes ✓ | N/A ✓ |
|---|---|---|
| The goods or services were ordered without a valid Purchase Order* or Board contract ever being established. | | ✓ |
| The services exceeded the scope and/or amount of a valid Board-approved contract. | ✓ | |
| The retroactive services were ordered after the expiration of a valid Board-approved contract. | | ✓ |
| The retroactive services were an unauthorized/unreported extension of a prior Purchase Order(s)* issued by ISD that occurred after reaching the $100,000 statutory threshold of the Purchasing Agent in order to continue services. | | ✓ |
| The retroactive goods and/or services were previously ordered and/or obtained via Departmental Blanket Purchase Order(s).** | | ✓ |
| Other (Explain Below) | | |

* Attach Purchase Order(s).

** Attach eCAPS transaction report on referenced Blanket Purchase Order(s).

**HEALTH MANAGEMENT ASSOCIATES** – Consulting Services

**General Information**

**Background**

H-702029 – May 9, 2006 through April 30, 2007

On May 9, 2006, the Board approved a sole source Agreement with Health Management Associates (HMA) for the provision of consultant services related to the reconfiguration of clinical and related services at LAC+USC Medical Center. The Agreement provided for analyzing key areas of LAC+USC's operations and pinpointing efficiencies that would make the transition to the Replacement Facility a smoother process.

Near the end of the Agreement term, Department staff learned that the maximum obligation of $544,800 (funded from the Office of Ambulatory Care's budget) was insufficient for all the services expected to be provided through April 30, 2007, the end of the contract. In response, staff immediately notified HMA to cease services and undertook a review of the agreement to determine what services had been provided and the associated costs. It was determined that HMA had performed additional services in the amount of $140,642. Of that amount, HMA will be reimbursed for $54,480 using authority in the contract delegated to the Director to reimburse up to 10% of the maximum obligation for additional services. At the request of Health Services Administration, HMA had also performed additional services to address some of the recommendations for Juvenile Court Health Services identified by the Department of Justice (DOJ) Memorandum of Agreement (MOA). Juvenile Court Health Services is part of the LAC+USC Healthcare Network. For their work related to Juvenile Court Health Services, HMA will be paid $55,962. HMA agreed to absorb the remaining outstanding costs.

The DOJ findings included in the MOA were: the transfer of medical records and the readiness for electronic medical records, the medication administration process, and the utilization of psychotropic medications administered to the youth at Juvenile Court Health Services. On the basis of numerous site visits and interviews and a review of documents, HMA prepared a comprehensive assessment and recommended solutions to the patient care issues at the juvenile detention camps throughout the County.

**Determination of payment amount**

The $55,962 is based on actual billing for services related to DOJ.

## Vendor invoices

Not applicable.

## Disciplinary action

The Manager with lead responsibility for this Agreement has resigned from that position. The Chief Executive Office has discussed this incident with DHS Executive Managers and emphasized the need to ensure that work by contractors is not authorized until County contracting requirements are met. While the urgency of seeking the services was understood, CEO further emphasized that an expedited review and authorization process was available, but was not pursued by DHS. Compliance with these and other County requirements will be considered in evaluating overall performance.

## Corrective action plan

The corrective action plan includes the implementation of a mandatory intensive contract training program developed in collaboration with County Counsel and ISD and for all staff including executives, managers, and line staff throughout the Department. This training emphasizes the legal authority to enter into contracts, purchase order and contract limitations, and purchasing and contracting processes. The Hospitals and their networks and the Audit and Compliance Division will reemphasize to staff and management the limits of purchasing authority and contracting requirements.

The Department will also re-issue policy guidance to all DHS staff that all instructions to contractors must be consistent with the terms of their existing agreements and notification to the Department's Chief of Contracts and Grants should be made as soon as possible to notify and obtain Board approval of any necessary amendments or contract actions. Staff will also be informed that prior to requesting services, they will confirm that the proper approval authority has been obtained. The Department will also re-issue policy guidance to all managers to monitor anticipated contract expenditures on a prospective basis to ensure that the contract funding limits are not exceeded.

The corrective action plan will be measured by maintaining the goal in the Department of avoiding retroactive contracts.

## Procurement Accountability/Responsibility

Health Services Administration requested HMA to perform the additional services without ensuring that County contract requirements were met.

## Fiscal Accountability/Responsibility

Fiscal Services became aware that the maximum obligation would be insufficient mid March 2007 and advised HMA to cease services; however, this occurred after the services had already been authorized.

## Urgency

In April 2003, the DOJ submitted a "Findings" letter, identifying areas requiring remedial attention at three Juvenile Halls, to the Board of Supervisors. On August 24, 2004, the DOJ, the Board of Supervisors and the Los Angeles County Office of Education approved and fully executed the MOA. Compliance Monitors were appointed and required to review and report semi-annually on the progress toward complying with the provisions/areas requiring attention as identified in the MOA. One of the provisions was improving medical records transfer from one facility to another so that youth receive timely and consistent medical services. The next monitoring report was due within 90 days after the end of the six month period, October 1, 2006 through March 31, 2007

ATTACHMENT IV

# RETROACTIVE CONTRACTS/PAYMENTS REPORT/CHECKLIST

| | |
|---|---|
| Department Name: | Health Services |
| Department Contact Name: | John R. Cochran III |
| Departmental Contact Title: | Chief Deputy Director |
| Departmental Contact E-mail: | jcochran@ladhs.org |
| Departmental Contact Phone Number: | 213.240.7926 |
| Contract Title, Purchase Order, or Blanket Purchase Order No.: | H-702814 |
| Vendor Name: | Health Management Associates |
| Type of Service(s): | Consulting Services |
| Period of Service: | June 19, 2007 through November 30, 2007 |
| Retroactive Period: | September 1, 2007 through September 30, 2007 |
| Total Contract/Purchase Order Amount: | $272,400 |
| Retroactive Amount: | $27,240 |

**Type of Retroactivity:**

| Description | Yes ✓ | N/A ✓ |
|---|---|---|
| The goods or services were ordered without a valid Purchase Order* or Board contract ever being established. | | X |
| The services exceeded the scope and/or amount of a valid Board-approved contract. | X | |
| The retroactive services were ordered after the expiration of a valid Board-approved contract. | | X |
| The retroactive services were an unauthorized/unreported extension of a prior Purchase Order(s)* issued by ISD that occurred after reaching the $100,000 statutory threshold of the Purchasing Agent in order to continue services. | | X |
| The retroactive goods and/or services were previously ordered and/or obtained via Departmental Blanket Purchase Order(s).** | | X |
| Other (Explain Below) | | |

* Attach Purchase Order(s).

** Attach eCAPS transaction report on referenced Blanket Purchase Order(s).

**HEALTH MANAGEMENT ASSOCIATES** – Consulting Services

**General Information**

**Background**

H-702814 – June 19, 2007 through November 30, 2007

On June 19, 2007, the Board approved an agreement with HMA for consultant services including the implementation and completion of long-term and lower level care related to the LAC+USC Replacement Project and assisting in the implementation of the Multi-Service Ambulatory Care Center (MACC) at Martin Luther King, Jr. (MLK) through November 30, 2007, for a total cost of $272,400. The Department requested HMA to perform additional MLK MACC related services. The Agreement allowed for an increase of 10 percent in the maximum obligation or $27,240. However, the Department did not fully follow the contract's provision related to the exercise of the 10 percent option. While the Department did provide the notice to the contractor, the required prior approval by County Counsel and CEO and the creation of a written amendment were not completed.

The Department was in the process of closing inpatient services at Martin Luther King, Jr. – Harbor Hospital and determined that an expansion of work was needed from the contractor to ensure as minimal disruption to patient care as possible.

**Determination of payment amount**

The $27,240 is based on 10 percent of the total maximum obligation of the contract, $272,400.

**Vendor invoices**
Not Applicable.

**Disciplinary action**

The Manager with lead responsibility for this Agreement has resigned from that position. The Chief Executive Office has discussed this incident with DHS Executive Managers and emphasized the need to ensure that work by contractors is not authorized until County contracting requirements are met. While the urgency of seeking the services was understood, CEO further emphasized that an expedited review and authorization process was available, but was not pursed by DHS. Compliance with these and other County requirements will be considered in evaluating overall performance.

**Corrective action plan**

The corrective action plan includes the implementation of a mandatory intensive contract training program developed in collaboration with County Counsel and ISD and for all staff including executives, managers, and line staff throughout the Department. This training emphasizes the legal authority to enter into contracts, purchase order and contract requirements and limitations, and purchasing and contracting processes.

The Department will also re-issue policy guidance to all DHS staff that all instructions to contractors must be consistent with the terms of their existing agreements and notification to the Department's Chief of Contracts and Grants should be made as soon as possible to notify and obtain Board approval of any necessary amendments or contract actions. Staff will also be informed that prior to requesting services, they will confirm that the proper approval authority has been obtained.

The corrective action plan will be measured by maintaining the goal in the Department of avoiding retroactive contracts.

**Procurement Accountability/Responsibility**

The Chief Network Officer sent the request to HMA for the additional services before County contracting requirements had been met.

**Fiscal Accountability/Responsibility**

Fiscal Services was not aware of the issue because no approved invoices were given to them for payment.

**Urgency**

The Chief Deputy Director stopped services with HMA on October 22, 2007. The Department is requesting Board approval of an agreement in a separate action to continue HMA's services to implement the staffing plan recommendations and clinic services recommendation for the new MLK MACC.

ATTACHMENT V

# RETROACTIVE CONTRACTS/PAYMENTS REPORT/CHECKLIST

| | |
|---|---|
| Department Name: | Mental Health |
| Department Contact Name: | Dr. Roderick Shaner |
| Departmental Contact Title: | Medical Director, Dept. of Mental Health |
| Departmental Contact E-mail: | Rshaner@dmh.lacounty.gov |
| Departmental Contact Phone Number: | (213) 738-4684 |
| Contract Title, Purchase Order, or Blanket Purchase Order No.: | Rebate Business Agreements |
| Vendor Name: | 1) AstraZeneca Pharmaceuticals LP<br>2) Bristol-Myers Squibb Company<br>3) Janssen Pharmaceutical Products,<br>4) Pfizer, Inc |
| Type of Service(s): | N/A |
| Period of Service: | N/A |
| Retroactive Period: | 1) AstraZeneca Pharmaceuticals LP 10/01/2004 to present<br>2) Bristol – Myers Squibb Company 10/14/2004 to present<br>3) Janssen Pharmaceutical Products, 12/16/2004 to present<br>4) Pfizer, Inc 10/01/2004 to present |
| Total Contract/Purchase Order Amount: | N/A |
| Retroactive Amount: | N/A |

**Type of Retroactivity:**

| Description | Yes ✓ | N/A ✓ |
|---|---|---|
| The goods or services were ordered without a valid Purchase Order* or Board contract ever being established. | | x |
| The services exceeded the scope and/or amount of a valid Board-approved contract. | | X |
| The retroactive services were ordered after the expiration of a valid Board-approved contract. | | x |
| The retroactive services were an unauthorized/unreported extension of a prior Purchase Order(s)* issued by ISD that occurred after reaching the | | x |

| | | |
|---|---|---|
| $100,000 statutory threshold of the Purchasing Agent in order to continue services. | | |
| The retroactive goods and/or services were previously ordered and/or obtained via Departmental Blanket Purchase Order(s).** | | x |
| Other (Explain Below) | x | |

* Attach Purchase Order(s).
** Attach eCAPS transaction report on referenced Blanket Purchase Order(s).

**General Information**

**Background**

With the approval of your Board, DMH entered into its first Rebate Agreement with Eli Lilly and Company on March 26, 2002, effective August 1, 2001, and executed amendments with Eli Lily, which were approved by your Board on May 13, 2003 and November 8, 2005. After receiving Board approval to enter into an agreement with Eli Lilly, it was DMH's intent to seek similar agreements with other pharmaceutical companies in order to further reduce medication costs. The former Pharmacy Services Chief believed that Board approval of the first Rebate Business Agreement with Eli Lilly provided the department with authority to enter into similar agreements and amendments with other pharmaceutical companies. Due to this misunderstanding, DMH entered into agreements and amendments with four (4) pharmaceutical corporations: AstraZeneca Pharmaceuticals LP, Bristol-Myers Squibb Company, Janssen Pharmaceutical Products, L.P., and Pfizer, Inc. without Board authorization. Additionally, the department did not have adequate policies and procedures in place regarding the authority to sign contracts on behalf of DMH and fiscal controls relative to the receipt of revenue and payments.

The Department has since educated managers and provided training on procurement and contracting including the fact that all contracts, including rebate contracts, and payments require Board authorization. DMH has implemented procedures to tighten internal contracting and fiscal controls to ensure checks and balances are in place. Additionally, DMH will monitor compliance with procedures annually to ensure compliance with established County and departmental policies and procedures.

Pharmacy expenditures for DMH continue to rise due to escalating costs of medications and the increasing number of indigent consumers served by DMH. Ratification of these agreements will bring funds to DMH in the form of rebates, thereby lowering pharmaceutical costs and allowing DMH to sustain the level of psychiatric care provided. Rebates range between 1 and 15 percent and may vary based on market share. The total rebate amount is calculated based on the total dollar amount that DMH expends for each medication as the payor for uninsured patients. Continuation of the Program will enable DMH to capture savings from past medication expenditures and offset its pharmaceutical costs.

## Corrective Action Plan

The Department of Mental Health (DMH) has educated managers and provided training on procurement and contracting to increase knowledge and awareness that contracts, payments, and revenue (including rebates) require Board authorization. DMH has implemented procedures to tighten internal contracting and fiscal controls to ensure that checks and balances are in place. Additionally, DMH will monitor annually to ensure compliance with County and departmental polices and procedures and, thereby, prevent recurrences of contract retroactivity and acceptance of revenue payments without Board authorization.

The controls include the following new contracting procedures:

1. Rebate agreements and amendments, approved by County Counsel and CEO, are signed by the Director of Mental Health or the Medical Director.
2. The Contracts Division distributes fully executed rebate agreements and amendments to the Accounting Division and Pharmacy Services.

The new fiscal procedures are as follows:

1. The Pharmacy Services Chief submits copies to the Accounting Division of rebate claims data that is provided to the pharmaceutical companies on a calendar quarterly basis.
2. Designated accounting staff receive, enter into eCAPS, and deposit the rebate payments into a trust account. They notify the Pharmacy Services Chief, with a copy to the Contracts Division, the amount and the date of each rebate check received.
3. The Pharmacy Services Chief confirms by memo to the Accounting Chief, with a copy to the Contracts Division, the status of the rebate agreements/amendments and that the rebate payment amounts are correct.
4. Once confirmation is received from Pharmacy Services, the rebate checks are transferred from the trust account the appropriate offsetting expenditure account.

## COUNTY OF LOS ANGELES - DEPARTMENT OF MENTAL HEALTH

## REBATE BUSINESS AGREEMENTS
## WITH
## PHARMACEUTICAL COMPANIES

| | CORPORATE HEADQUARTERS ADDRESS | EFFECTIVE DATE OF REBATE AGREEMENT | REBATE PERCENTAGE | REBATE AMOUNT RECEIVED TO DATE | COMPANY INFORMATION |
|---|---|---|---|---|---|
| 1. | AstraZeneca Pharmaceuticals LP<br>1800 Concord Pike<br>P.O. Box 15437<br>Wilmington, DE 19850-5437 | October 1, 2004 | 3-12% | $1,728,782 | AstraZeneca, a large global pharmaceutical company, produces a broad range of prescription medicines to fight diseases, including Seroquel to treat schizophrenia. |
| 2. | Bristol - Myers Squibb Company<br>345 Park Avenue<br>New York, New York 10154-0037 | October 14, 2004 | 7.5% | $861,544 | Bristol-Myers Squibb Company (BMS), a global leader in the health care industry, is a leading manufacturer of prescription medications, over-the-counter drugs, and health care products to fight cancer, cardiovascular and infectious diseases, and serious mental illness. Abilify is jointly marketed in the United States by BMS and Otsuka America |
| 3. | Janssen Pharmaceutica Products, L.P.<br>1125 Trenton-Harbourton Road<br>Titusville, NJ 08560-0200 | December 16, 2004 | 1-4% | $0 | Janssen, a pharmaceutical company of Johnson & Johnson Family of Companies, focuses exclusively on mental health prescription medications for treatment of schizophrenia, bipolar disorder, and autistic disorder. |
| 4. | Pfizer, Inc.<br>235 E. 42nd Street<br>New York, NY 10017-5755 | October 1, 2004 | 6-15% | $0 | Pfizer, the world's largest and one of the fastest-growing pharmaceutical companies, manufactures medications and over-the-counter consumer products. |
| 5. | Eli Lilly and Company<br>Lilly Corporate Center<br>893 S. Delaware<br>Indianapolis, IN 46285 | November 8, 2005<br>**Board Approved Renewal** | 8-13% | $1,470,924 | Eli Lilly, one of the world's largest global pharmaceutical company, produces pharmaceutical products, such as Prozac, Zyprexa, and Cymbalta, to treat depression, schizophrenia, bipolar disorder, and other medical conditions |
| | TOTAL REBATES RECEIVED | | | $4,061,250 | |

EXHIBIT I

# AGREEMENT

BY AND BETWEEN

COUNTY OF LOS ANGELES

AND

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
(UCLA PATHOLOGY OUTREACH SERVICES)

FOR

HEMATOLOGY/PATHOLOGY SERVICES AND CONSULTATION

TABLE OF CONTENTS

Contract No. _____

HEMATOLOGY/PATHOLOGY SERVICES AND CONSULTATION AGREEMENT

THIS AGREEMENT is made and entered into this _____day of _____, 200_,

by and between COUNTY OF LOS ANGELES (hereafter "County"),

and THE REGENTS OF THE UNIVERSITY OF CALIFORNIA (UCLA PATHOLOGY OUTREACH SERVICES) (hereafter "Contractor").

WHEREAS, pursuant to sections 1441 and 1445 of the California Health and Safety Code, County has established and operates, through its Department of Health Services (hereafter "DHS"), various County hospitals, comprehensive health centers, public health centers, and other health care facilities and programs (hereafter collectively referred to as "Facility(ies)"; and

WHEREAS, County desires the services of a Contractor to provide highly specialized hematology/pathology services and consultation on an intermittent basis; and

WHEREAS, County has determined that the services to be provided under this Agreement are of a technical nature to the extent that DHS is unable to recruit qualified personnel with the requisite training, knowledge, certification, or experience to perform such services; and

WHEREAS, Contractor is authorized under the laws of the State of California to engage in the business of providing hematology/pathology services and consultation, and possesses the competence, expertise, and personnel necessary to provide such services described hereunder; and

WHEREAS, this Agreement is authorized by provisions of section 1451 of the California Health and Safety Code and sections 26227 and 31000 of the California Government Code.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, the parties hereto agree as follows:

1. TERM: The term of this Agreement shall commence effective date of Board approval and shall continue in full force and effect to midnight June 30, 2008, unless sooner canceled or terminated as provided herein. The Director of Health Services may extend this Agreement on a month-to-month basis for up to six (6) months.

2. DESCRIPTION OF SERVICES:

A. Contractor shall provide services in the form as described in the body of this Agreement and Exhibit A, attached hereto and incorporated herein by reference.

B. Contractor warrants that it possesses the competence, expertise, and personnel necessary to provide such services.

3. NONEXCLUSIVITY: Contractor acknowledges that it is not necessarily the exclusive provider to County of services provided

under the terms of this Agreement, and that County has, or may enter into, agreements with other providers of such services, or may perform all or part of same, when possible, using County employees.

4. BILLING AND PAYMENT:

A. County agrees to compensate Contractor in accordance with the terms set forth in Exhibit A and Schedule 1, attached hereto and incorporated herein by reference.

B. Contractor shall bill DHS' Olive View-UCLA Medical Center (OLIVE VIEW), Attention: Invoice Processing, 14445 Olive View Drive, Sylmar, CA 91342, hereunder according to the terms set forth in the payment requirements of said Exhibit.

5. MAXIMUM OBLIGATION OF COUNTY: The maximum obligation of County for all services provided hereunder shall not exceed Sixty Thousand Dollars ($60,000), effective date of Board approval through June 30, 2008. If extended beyond June 30, 2008, the monthly costs will not exceed Ten Thousand Dollars ($10,000).

6. NO PAYMENT FOR SERVICES PROVIDED FOLLOWING EXPIRATION/ TERMINATION OF AGREEMENT: Contractor shall have no claim against County for the payment of any monies, or reimbursements of any kind whatsoever, for any service provided by Contractor after the expiration or other termination of this Agreement, even if Contractor's provision of such services were requested by County directly. Should Contractor receive any such payment, it shall

immediately notify County and shall repay or return all such funds or reimbursements to County within a reasonable amount of time. Payment by County for services rendered after expiration/termination of this Agreement shall not constitute a waiver of County's right to recover such payment from Contractor. This provision shall survive the expiration or termination of this Agreement.

7. INDEMNIFICATION: Contractor shall indemnify, defend, and hold harmless County and its Special Districts, elected and appointed officers, employees, and agents from and against any and all liability, including but not limited to demands, claims, actions, fees, costs, and expenses (including attorney and expert witness fees), in proportion to and to this extent that such arise from the Contractor's acts and/or omissions arising from and/or relating to this Agreement.

8. GENERAL INSURANCE REQUIREMENTS: Without limiting Contractor's indemnification of County and during the term of this Agreement, Contractor shall provide and maintain, and shall require all of its subcontractors to maintain, the following programs of insurance specified in this Agreement or a comparable program of self-insurance. Such insurance shall be primary to and not contributing with any other insurance or self-insurance programs maintained by County, and such coverage shall be provided and maintained at Contractor's own expense. Contractor may satisfy the insurance coverage requirements specified in this Agreement by

providing evidence of Contractor's self-insurance program, as described in the INSURANCE COVERAGE REQUIREMENTS Paragraph, hereinbelow. Such evidence shall be provided in a formal declaration (on Contractor's letterhead, if available) that declares Contractor is self-insured for the type and amount of coverage as described in INSURANCE COVERAGE REQUIREMENTS Paragraph, hereinbelow. Contractor's declaration may be in the form of a corporate resolution or a certified statement from a corporate officer or an authorized principal of Contractor. The statement also must identify which required coverages are self-insured and which are commercially insured. Contractors who are self-insured for workers compensation must provide a copy of their "Certificate of Consent to Self-Insure" issued by the State in which services will be provided. Further, Contractor's self-insurance program must be reviewed and approved by County's Risk Manager prior to the effective date of this Agreement.

A. Evidence of Insurance: Certificate(s) or other evidence of coverage satisfactory to County's Risk Manager shall be delivered to Director at the: DHS; Contracts and Grants Division; 313 North Figueroa Street, 6th Floor-East; Los Angeles, California 90012-2659, and provide a copy to DHS; Centralized Contract Monitoring Division; 5555 Ferguson Drive, Suite 210; Commerce, California 90022, prior to commencing services under this Agreement. Such certificates or other evidence shall:

(1) Specifically identify this Agreement.

(2) Clearly evidence all coverages required in this Agreement.

(3) Contain the express condition that County is to be given written notice by mail at least thirty (30) calendar days in advance of cancellation for all policies evidenced on the certificate of insurance.

(4) Include copies of the additional insured endorsement to the commercial general liability policy, adding County of Los Angeles, its Special Districts, its officials, officers, and employees as insured in proportion to and to the extent that claims arise from the acts or omissions of the Contractor for all activities arising from this Agreement.

(5) Identify any deductibles or self-insured retentions for County's Risk Manager approval. County's Risk Manager retains the right to require Contractor to reduce or eliminate such deductibles or self-insured retentions as they apply to County, or, require Contractor to provide a bond guaranteeing payment of all such retained losses and related costs, including, but not limited to, expenses or fees, or both, related to investigations, claims administrations, and legal defense. Such bond shall be executed by a corporate

surety licensed to transact business in the State of California.

B. Insurer Financial Ratings: Insurance is to be provided by an insurance company acceptable to County's Risk Manager with an A.M. Best rating of not less than A:VII, unless otherwise approved by County's Risk Manager.

C. Failure to Maintain Coverage: Failure by Contractor to maintain the required insurance, or to provide evidence of insurance coverage acceptable to County's Risk Manager, shall constitute a material breach of contract upon which County may immediately terminate or suspend this Agreement. County, at its sole option, may obtain damages from Contractor resulting from said breach. Alternatively, County may purchase such required insurance coverage, and without further notice to Contractor, County may deduct from sums due to Contractor any premium costs advanced by County for such insurance.

D. Notification of Incidents, Claims, or Suits: Contractor shall report to County:

(1) Any accident or incident relating to services performed under this Agreement which involves injury or property damage which may result in the filing of a claim or lawsuit against Contractor and/or County. Such report shall be made in writing within twenty-four (24) hours of Contractor's knowledge of accident or incident.

(2) Any third party claim or lawsuit filed against Contractor arising from or related to services performed by Contractor under this Agreement.

(3) Any injury to a Contractor employee which occurs on County property. This report shall be submitted on a County "Non-Employee Injury Report" to County contract manager.

(4) Any loss, disappearance, destruction, misuse, or theft of any kind whatsoever of County property, monies, or securities entrusted to Contractor under the terms of this Agreement.

E. Compensation for County Costs: In the event that Contractor fails to comply with any of the indemnification or insurance requirements of this Agreement, and such failure to comply results in any costs to County, Contractor shall pay full compensation for all costs incurred by County.

F. Insurance Coverage Requirements for Subcontractors: Contractor shall ensure any and all subcontractors performing services under this Agreement meet the insurance requirements of this Agreement by either:

(1) Contractor providing evidence of insurance covering the activities of subcontractors, or

(2) Contractor providing evidence submitted by subcontractors evidencing that subcontractors maintain the required insurance coverage. County retains the

right to obtain copies of evidence of subcontractor insurance coverage at any time.

9. INSURANCE COVERAGE REQUIREMENTS:

A. General Liability Insurance (written on Insurance Services Office ["ISO"] policy form "CG 00 01" or its equivalent) with limits of not less than the following:

| | |
|---|---|
| General Aggregate: | $2 Million |
| Products/Completed Operations Aggregate: | $2 Million |
| Personal and Advertising Injury: | $1 Million |
| Each Occurrence: | $1 Million |

B. Automobile Liability Insurance (written on ISO policy form "CA 00 01" or its equivalent) with a limit of liability of not less than $1 Million for each accident. Such insurance shall include coverage for all "owned", "hired" and "non-owned" vehicles, or coverage for "any auto".

C. Workers' Compensation and Employers' Liability insurance providing workers' compensation benefits, as required by the Labor Code of the State of California or by any other state, and for which Contractor is responsible.

In all cases, the above insurance also shall include Employers' Liability coverage with limits of not less than the following:

| | |
|---|---|
| Each Accident: | $1 Million |
| Disease - Policy Limit: | $1 Million |
| Disease - Each Employee: | $1 Million |

10. SUBCONTRACTING:

A. For purposes of this Agreement, all subcontracts must first be approved in writing by Director. Contractor's written request to Director for approval to enter into a subcontract shall be made at least thirty (30) calendar days prior to the subcontractor's proposed effective date, and shall include:

(1) Identification of the proposed subcontractor, who shall be licensed as appropriate for provision of subcontract services, and an explanation of why and how the proposed subcontractor was selected, including the degree of competition involved.

(2) A detailed description of the services to be provided by the subcontractor.

(3) The proposed subcontract amount and manner of compensation, if any, together with Contractor's cost or price analysis thereof.

(4) A copy of the proposed subcontract. Any later modification of such subcontract shall take the form of a formally written subcontract amendment which also must be approved in writing by Director in the same manner as described above, before such amendment is effective.

(5) Any other information and/or certification(s) requested by Director.

B. Director shall review Contractor's request to subcontract and shall determine, in his/her sole discretion, whether or not to consent to such a request on a case-by-case basis.

C. Subcontracts shall be made in the name of Contractor and shall not bind nor purport to bind County. The making of subcontracts hereunder shall not relieve Contractor of any requirements under this Agreement, including, but not limited to, the duty to properly supervise and coordinate the work of subcontractors. Further, Director's approval of any subcontract shall also not be construed to limit in any way, any of County's rights or remedies contained in this Agreement.

D. In the event that Director consents to any subcontracting, Contractor shall be solely liable and responsible for any and all payments or other compensation to all subcontractors, and their officers, employees, and agents.

E. In the event that Director consents to any subcontracting, such consent shall be subject to County's right to terminate, in whole or in part, any subcontract at any time upon written notice to Contractor when such action is deemed by County to be in its best interest. County shall not be liable or responsible in any way to Contractor, or any subcontractor, or to any officers, employees, or agents, of Contractor, or any subcontractor, for any liability, damages,

costs, or expenses, arising from or related to County's exercising of such a right.

F. Subcontracts shall contain the following provision: "This contract is a subcontract under the terms of a prime contract with the County of Los Angeles and shall be subject to all of the provisions of such prime contract." Further, Contractor shall also reflect as subcontractor requirements in the subcontract form all of the requirements of the following paragraphs of the body of this Agreement: NO PAYMENT FOR SERVICES PROVIDED FOLLOWING EXPIRATION/TERMINATION OF AGREEMENT, INDEMNIFICATION, GENERAL INSURANCE REQUIREMENTS, INSURANCE COVERAGE REQUIREMENTS, SUBCONTRACTING, CONSTRUCTION, and CONFLICT OF TERMS, as well as, all of the provisions of the Standard Provisions attachment.

Contractor shall deliver to Director a fully executed copy of each subcontract entered into by Contractor, as it pertains to the provision of services under this Agreement, on or immediately after the effective date of the subcontract, but in no event, later than the date any services are to be performed under the subcontract.

G. Director is hereby authorized to act for and on the behalf of County pursuant to this Paragraph, including but not limited to, consenting to any subcontracting.

11. COMPLIANCE WITH APPLICABLE LAW:

A. Contractor shall comply with the requirements of all federal, State, and local laws, ordinances, regulations, rules, guidelines, and directives, applicable to its performance hereunder. To the extent there is any conflict between federal and State or local laws, the former shall prevail.

Any reference to a specific statute, regulation, or any other document not prepared by County is deemed to include a reference to any amendment thereto as of the effective date of such amendment; further, this Agreement shall be interpreted consistently with, and the parties' duties and obligations under this Agreement shall be consistent with, any amendment to any applicable statute, regulation or other document not prepared by County which occurs after the effective date of the Agreement.

B. Contractor shall indemnify and hold harmless County from and against any and all loss, damage, liability, or expense resulting from any violation on the part of Contractor, its officers, employees, or agents, of such federal, State, or local laws, regulations, guidelines, or directives.

12. CONTRACTOR'S OBLIGATION AS A BUSINESS ASSOCIATE UNDER THE HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT OF 1996: Under this Agreement, Contractor ("Business Associate") provides

services ("Services") to County ("Covered Entity") and Business Associate receives, has access to or creates Protected Health Information in order to provide those Services. Covered Entity is subject to the Administrative Simplification requirements of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), and regulations promulgated thereunder, including the Standards for Privacy of Individually Identifiable Health Information ("Privacy Regulations") and the Health Insurance Reform: Security Standards ("the Security Regulations") at 45 Code of Federal Regulations Parts 160 and 164 ("together, the "Privacy and Security Regulations").

The Privacy and Security Regulations require Covered Entity to enter into a contract with Business Associate in order to mandate certain protections for the privacy and security of Protected Health Information, and those Regulations prohibit the disclosure to or use of Protected Health Information by Business Associate if such a contract is not in place;

Therefore, the parties agree as follows:

1. DEFINITIONS:

A. "Disclose" and "Disclosure" mean, with respect to Protected Health Information, the release, transfer, provision of access to, or divulging in any other manner of Protected Health Information outside Business Associate's internal operations or to other than its employees.

B. "Individual" means the person who is the subject of Protected Health Information and shall include a person who qualifies as a personal representative in accordance with 45 C.F.R. § 164.502(g).

C. "Protected Health Information" has the same meaning as the term "protected health information" in 45 C.F.R. § 164.501, limited to the information created or received by Business Associate from or on behalf of Covered Entity. Protected Health Information includes information that (i) relates to the past, present or future physical or mental health or condition of an Individual; the provision of health care to an Individual, or the past, present or future payment for the provision of health care to an Individual; (ii) identifies the Individual (or for which there is a reasonable basis for believing that the information can be used to identify the Individual); and (iii) is received by Business Associate from or on behalf of Covered Entity, or is created by Business Associate, or is made accessible to Business Associate by Covered Entity.

D. "Required By Law" means a mandate contained in law that compels an entity to make a Use or Disclosure of Protected Health Information and that is enforceable in a court of law. Required by law includes, but is not limited to, court orders and court-ordered warrants; subpoenas or summons issued by a court, grand jury, a governmental or

tribal inspector general, or any administrative body authorized to require the production of information; a civil or an authorized investigative demand; Medicare conditions of participation with respect to health care providers participating in the program; and statutes or regulations that require the production of information, including statutes or regulations that require such information if payment is sought under s government program providing benefits.

E. "Services" means all tasks, deliverables, goods, services and/or other work provided by Business Associate pursuant to the Agreement.

F. "Use" or "Uses" mean, with respect to Protected Health Information, the sharing, employment, application, utilization, examination or analysis of such Information within Business Associate's internal operations.

G. Terms used, but not otherwise defined, in this Business Associate Agreement shall have the same meaning as those terms in the Privacy Regulations or in the Agreement, to the extent not inconsistent with the Privacy Regulations.

2. OBLIGATIONS OF BUSINESS ASSOCIATE:

A. Permitted Uses and Disclosures of Protected Health Information. Business Associate:

(1) shall Use and Disclose Protected Health Information as necessary to perform the Services, and as provided in Paragraphs 2.C., 2.D., 2.E., 2.F., 2.G.,

2.H., 4.C. and 5.B. of this Business Associate Agreement;

(2) shall Disclose Protected Health Information to Covered Entity upon request;

(3) may, as necessary for the proper management and administration of its business or to carry out its legal responsibilities:

(a) Use Protected Health Information; and

(b) Disclose Protected Health Information if the Disclosure is required by Law. Business Associate shall not Use or Disclose Protected Health Information for any other purpose.

B. Adequate Safeguards for Protected Health Information. Business Associate warrants that it shall implement and maintain appropriate safeguards to prevent the Use or Disclosure of Protected Health Information in any manner other than as permitted by this Business Associate Agreement. Business Associate agrees to limit the Use and Disclosure of Protected Health Information to the minimum necessary in accordance with the Privacy Regulation's minimum necessary standard.

C. Reporting Non-Permitted Use or Disclosure. Business Associate shall report to Covered Entity each Use or Disclosure that is made by Business Associate, its employees, representatives, agents or subcontractors but is not specifically permitted by this Business Associate Agreement.

The initial report shall be made by telephone call to Covered Entity's Departmental Privacy Officer at (213) 240-7908 within forty-eight (48) hours from the time the Business Associate becomes aware of the non-permitted Use or Disclosure, followed by a full written report to Covered Entity's Chief Information Privacy Officer, at Kenneth Hahn Hall of Administration, 500 West Temple Street, Suite 493, Los Angeles, California 90012, no later than ten (10) business days from the date the Business Associate becomes aware of the non-permitted Use or Disclosure.

D. Mitigation of Harmful Effect. Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a Use or Disclosure of Protected Health Information by Business Associate in violation of the requirements of this Business Associate Agreement.

E. Availability of Internal Practices, Books and Records to Government Agencies. Business Associate agrees to make its internal practices, books and records relating to the Use and Disclosure of Protected Health Information available to the Secretary of the federal Department of Health and Human Services for purposes of determining Covered Entity's compliance with the Privacy Regulations. Business Associate shall immediately notify Covered Entity of any requests made by the Secretary and provide Covered Entity with copies of any

documents produced in response to such request.

F. Access to Protected Health Information. Business Associate shall, to the extent Covered Entity determines that any Protected Health Information constitutes a "designated record set" as defined by 45 C.F.R. § 164.501, make the Protected Health Information specified by Covered Entity available to the Individual(s) identified by Covered Entity as being entitled to access and copy that Protected Health Information. Business Associate shall provide such access for inspection of that Protected Health Information within two (2) business days after receipt of request from Covered Entity. Business Associate shall provide copies of that Protected Health Information within five (5) business days after receipt of request from Covered Entity.

G. Amendment of Protected Health Information. Business Associate shall, to the extent Covered Entity determines that any Protected Health Information constitutes a "designated record set" as defined by 45 C.F.R. § 164.501, make any amendments to Protected Health Information that are requested by Covered Entity. Business Associate shall make such amendment within ten (10) days after receipt of request from Covered Entity in order for Covered Entity to meet the requirements under 45 C.F.R. § 164.526.

H. Accounting of Disclosures. Upon Covered Entity's request, Business Associate shall provide to Covered Entity an

accounting of each Disclosure of Protected Health Information made by Business Associate or its employees, agents, representatives or subcontractors.

Any accounting provided by Business Associate under this Section 2.H. shall include: (a) the date of the Disclosure; (b) the name, and address if known, of the entity or person who received the Protected Health Information; (c) a brief description of the Protected Health Information disclosed; and (d) a brief statement of the purpose of the Disclosure. For each Disclosure that could require an accounting under this Section 2.H., Business Associate shall document the information specified in items (a) through (d), above, and shall securely maintain the information for six (6) years from the date of the Disclosure. Business Associate shall provide to Covered Entity, within ten (10) days after receipt of request from Covered Entity, information collected in accordance with this Section 2.H. to permit Covered Entity to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with 45 C.F.R. § 164.528.

3. OBLIGATION OF COVERED ENTITY: Covered Entity shall notify Business Associate of any current or future restrictions or limitations on the use of Protected Health Information that would affect Business Associate's performance of the Services, and Business Associate shall thereafter restrict or limit its own uses

and disclosures accordingly.

4. TERM AND TERMINATION:

A. Term. The term of this Business Associate Agreement shall be the same as the term of the Agreement. Business Associate's obligations under Paragraphs 2.A. (as modified by Section 4.B.), 2.C., 2D., 2.E., 2.F., 2.G., 4.C. and 5.B. shall survive the termination or expiration of this Business Associate Agreement.

B. Termination for Cause. In addition to and notwithstanding the termination provisions set forth in the Agreement, upon Covered Entity's knowledge of a material breach by Business Associate, Covered Entity shall either:

(1) Provide an opportunity for Business Associate to cure the breach or end the violation and terminate this Business Associate Agreement if Business Associate does not cure the breach or end the violation within the time specified by Covered Entity;

(2) Immediately terminate this Business Associate Agreement if Business Associate has breached a material term of this Business Associate Agreement and cure is not possible; or

(3) If neither termination nor cure are feasible, Covered Entity shall report the violation to the Secretary of the federal Department of Health and Human Services.

C. Disposition of Protected Health Information Upon Termination or Expiration.

(1) Except as provided in subparagraph (2) of this Paragraph 4.C., upon termination for any reason or expiration of this Business Associate Agreement and the Agreement, Business Associate shall return or destroy all Protected Health Information received from Covered Entity, or created or received by Business Associate on behalf of Covered Entity. This provision shall apply to Protected Health Information that is in the possession of subcontractors or agents of Business Associate. Business Associate shall retain no copies of the Protected Health Information.

(2) In the event that Business Associate determines that returning or destroying the Protected Health Information is infeasible, Business Associate shall provide to Covered Entity notification of the conditions that make infeasible. If return or destruction is infeasible, Business Associate shall extend the protections of this Business Associate Agreement to such Protected Health Information and limit further Uses and Disclosures of such Protected Health Information to those purposes that make the return or destruction infeasible, for so long as Business Associate maintains such

Protected Health Information.

5. MISCELLANEOUS:

A. No Third Party Beneficiaries. Nothing in this Business Associate Agreement shall confer upon any person other than the parties and their respective successors or assigns, any rights, remedies, obligations, or liabilities whatsoever.

B. Use of Subcontractors and Agents. Business Associate shall require each of its agents and subcontractors that receive Protected Health Information from Business Associate, or create Protected Health Information for Business Associate, on behalf of Covered Entity, to execute a written agreement obligating the agent or subcontractor to comply with all the terms of this Business Associate Agreement as Business Associate.

C. Relationship to Agreement Provisions. In the event that a provision of this Business Associate Agreement is contrary to a provision of the Agreement, the provision of this Business Associate Agreement shall prevail. Otherwise, this Business Associate Agreement shall be construed under, and in accordance with, the terms of the Agreement.

D. Regulatory References. A reference in this Business Associate Agreement to a section in the Privacy Regulations means the section as in effect or as amended.

E. Interpretation. Any ambiguity in this Business

Associate Agreement shall be resolved in favor of a meaning that permits Covered Entity to comply with the Privacy Regulations.

F. Amendment. The parties agree to take such action as is necessary to amend this Business Associate Agreement from time to time as is necessary for Covered Entity to comply with the requirements of the Privacy Regulations.

13. STANDARD PROVISIONS: Attached hereto and incorporated herein by reference, is a document labeled STANDARD PROVISIONS, of which the terms and conditions therein contained are part of this Agreement.

14. CONSTRUCTION: To the extent there are any rights, duties, obligations, or responsibilities enumerated in the recitals or otherwise in this Agreement, they shall be deemed a part of the operative provisions of this Agreement and are fully binding upon the parties.

15. CONFLICT OF TERMS: To the extent that there exists any conflict or inconsistency between the language of this Agreement including its STANDARD PROVISIONS, and that of any Exhibit(s), Attachment(s), and any other documents incorporated herein by reference, the language found within this Agreement shall govern and prevail.

16. ALTERATION OF TERMS: The body of this Agreement including its STANDARD PROVISIONS and any Exhibit(s), and/or Attachment(s) attached hereto, fully expresses all understandings of the parties

concerning all matters covered and shall constitute the total Agreement. No addition to, or alteration of, the terms of this Agreement, whether by written or verbal understanding of the parties, their officers, employees or agents, shall be valid and effective unless made in the form of a written amendment to this Agreement which is formally approved and executed by the parties in the same manner as this Agreement.

17. CONTRACTOR'S OFFICE: Contractor's primary business office is located at UCLA Department of Pathology and Laboratory Medicine, 10833 Le Conte Avenue, 14-112 CHS, Los Angeles, CA 90095-1732. Contractor's primary business telephone number is (310) 869-4058 and facsimile/FAX number is (310) 267-2685 and electronic mail is rbarfield@mednet.ucla.edu. Contractor shall notify County, in writing, of any changes made to Contractor's primary business address, business telephone number and/or facsimile/FAX number as listed herein, or any other business address, business telephone number and/or facsimile/FAX number used in the provision of services herein, at least ten (10) calendar days prior to the effective date(s) thereof.

18. NOTICES: Any and all notices required, permitted, or desired to be given hereunder by one party to the other shall be in writing and shall be delivered to the other party personally or by United States mail, certified or registered, postage prepaid, return receipt requested, or overnight courier to the parties at the following addresses and to the attention of the person named.

County's Director of Health Services shall have the authority to issue all notices or demands required or permitted by the County under this Agreement. Addresses and persons to be notified may be changed by the parties by giving ten (10) calendar days' prior written notice thereof to the parties but in no event more than ten (10) days after the effective date.

A. Notices to County shall be addressed as follows:

(1) Department of Health Services
Contracts and Grants Division
313 North Figueroa Street, Sixth Floor-East
Los Angeles, CA 90012-2659
Attention: Director

(2) Olive View-UCLA Medical Center
14445 Olive View Drive
Sylmar, CA 91342
Attention: Chief Executive Officer

B. Notices to Contractor shall be addressed as follows:

Pathology Outreach Services
UCLA Dept. of Pathology and Laboratory Medicine
David Geffen School of Medicine at UCLA
10833 Le Conte Avenue, 14-112 CHS
Los Angeles, CA 90095-1732
Attention: Richard Barfield, Director
Business Development

IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Agreement to be subscribed by its

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Director of Health Services, and Contractor has caused this Agreement to be subscribed in its behalf by its duly authorized officer, the day, month, and year first above written.

COUNTY OF LOS ANGELES

By _____
Bruce A. Chernof, M.D.
Director and Chief Medical Officer

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
Contractor

By _____
Signature

_____
Print Name

Title _____
(AFFIX CORPORATE SEAL)

APPROVED AS TO FORM
BY THE OFFICE OF THE COUNTY COUNSEL

APPROVED AS TO CONTRACT
ADMINISTRATION:

Department of Health Services

By _____
Cara O'Neill, Chief
Contracts and Grants Division

AGRUCLAlab
11.29.07

STANDARD PROVISIONS

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STANDARD PROVISIONS

1. ADMINISTRATION: Director shall have the authority to administer this Agreement on behalf of County. Contractor agrees to extend to Director, or to authorized federal, State, County, and local governmental representatives, the right to review and monitor Contractor's program(s), policies, procedures, and financial and/or other records, and to inspect its business offices, facility(ies), and/or County work site area(s), for contractual compliance at any reasonable time.

2. FORM OF BUSINESS ORGANIZATION AND FISCAL DISCLOSURE:

A. Form of Business Organization: Contractor shall prepare and submit to Director upon request, an affidavit, sworn to and executed by Contractor's duly constituted officers, or Board of Directors, containing the following information with supportive documentation:

(1) The form of Contractor's business organization, e.g., sole proprietorship, partnership, limited liability company ("LLC"), or corporation.

(2) Articles of Incorporation and By-Laws (or articles of organization, certificate of formation, certificate of registration, and operating agreement if Contractor's organization is an LLC).

(3) A detailed statement indicating whether Contractor is totally or substantially owned by another business organization (i.e., another legal entity or parent corporation).

(4) Board Minutes, or other legal documentation, identifying who is authorized on behalf of Contractor to conduct business, make commitments, and enter into binding agreements with County. Such Board Minutes, or legal documentation, shall especially confirm that the person executing this Agreement for Contractor is an authorized agent who has actual authority to bind Contractor to each and every term, condition, and obligation set forth in this Agreement.

(5) A detailed statement indicating whether Contractor totally or partially owns any other business organization that will be providing services supplies, materials, or equipment to Contractor or in any manner does business with Contractor under this Agreement.

(6) If, during the term of this Agreement, the form of Contractor's business organization changes, or the ownership of Contractor changes, or Contractor's authorized person to conduct business, make commitments, and enter into binding agreements with County changes; or Contractor's ownership of other businesses dealings with Contractor under this Agreement changes; Contractor shall notify Director in writing detailing such changes within thirty (30) calendar days prior to the effective date thereof.

B. Fiscal Disclosure: Contractor shall prepare and submit to Director, upon request, a statement executed by

Contractor's duly constituted officers or Board of Directors, containing the following information:

(1) A detailed statement listing all sources of funding to Contractor, including but not limited to, private contributions, if any. The statement shall include the nature of the funding, services to be provided, total dollar amount, and period of time of such funding.

(2) If, during the term of this Agreement, the source(s) of Contractor's funding changes, Contractor shall promptly notify the Director in writing detailing such changes within thirty (30) calendar days prior to the effective date thereof.

3. NONDISCRIMINATION IN SERVICES: Contractor shall not discriminate in the provision of services hereunder because of race, color, religion, national origin, ethnic group identification, ancestry, sex, age, marital status, political affiliation, or physical or mental disability, or sexual orientation in accordance with requirements of federal and State laws. For the purpose of this Paragraph, discrimination in the provision of services may include, but is not limited to, the following: denying any person any service or benefit or the availability of a facility; providing any service or benefit to any person which is not equivalent, or is provided in a non-equivalent manner or at a non-equivalent time, from that provided to others; subjecting any person to segregation or separate treatment in any manner related to the receipt of any service;

restricting any person in any way in the enjoyment of any advantage or privilege enjoyed by others receiving any service or benefit; and treating any person differently from others in determining admission, enrollment quota, eligibility, membership, or any other requirements or conditions which persons must meet in order to be provided any service or benefit. Contractor shall take affirmative action to ensure that intended beneficiaries of this Agreement are provided services without regard to race, color, religion, national origin, ethnic group identification, ancestry, sex, age, marital status, political affiliation, physical or mental disability, or sexual orientation.

In addition, Contractor's facility access for the disabled must fully comply with section 504 of the federal Rehabilitation Act of 1973 and Title III of the federal Americans with Disabilities Act of 1990.

4. NONDISCRIMINATION IN EMPLOYMENT:

A. Contractor certifies and agrees, pursuant to the federal Rehabilitation Act of 1973, the federal Americans with Disabilities Act of 1990, and all other federal and State laws, as they now exist or may hereafter be amended, that it, its affiliates, subsidiaries, or holding companies, will not discriminate against any employee or applicant for employment because of race, color, religion, national origin, ethnic group identification, ancestry, sex, age, marital status, political affiliation, physical or mental disability, or sexual orientation.

Contractor shall take affirmative action to ensure that qualified applicants are employed, and that employees are treated during employment, without regard to race, color, religion, national origin, ethnic group identification, ancestry, sex, age, marital status, political affiliation, physical or mental disability, or sexual orientation, in accordance with federal and State laws. Such action shall include, but not be limited to the following: employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.

Contractor shall post in conspicuous places in each of Contractor's facilities providing services hereunder, positions available and open to employees and applicants for employment, and notices setting forth the provisions of this Paragraph.

B. Contractor shall, in all solicitations or advertisements for employees placed by or on behalf of Contractor, state that all qualified applicants shall receive consideration for employment without regard to race, color, religion, national origin, ethnic group identification, ancestry, sex, age, marital status, political affiliation, physical or mental disability, or sexual orientation, in accordance with requirements of federal and State laws.

C. Contractor shall send to each labor union or representative of workers with which it has a collective bargaining agreement, or other contract of understanding, a notice advising the labor union or workers' representative of Contractor's commitments under this Paragraph.

D. Contractor certifies and agrees that it shall deal with its subcontractor, bidders, or vendors without regard to race, color, religion, national origin, ethnic group identification, ancestry, sex, age, marital status, political affiliation, physical or mental disability, or sexual orientation, in accordance with requirements of federal and State laws.

E. Contractor shall allow federal, State, and County representatives, duly authorized by Director, access to its employment records during regular business hours in order to verify compliance with the anti-discrimination provisions of this Paragraph. Contractor shall provide such other information and records as such representatives may require in order to verify compliance with the anti-discrimination provisions of this Paragraph.

F. If County finds that any of the provisions of this Paragraph have been violated, the same shall constitute a material breach of Agreement upon which County may determine to cancel, terminate, or suspend, this Agreement. While County reserves the right to determine independently that the anti-discrimination provisions of this Agreement have been violated, in addition, a determination by the

California Fair Employment Practices Commission or the federal Equal Employment Opportunity Commission that Contractor has violated federal or State anti-discrimination laws shall constitute a finding by County that Contractor has violated the anti-discrimination provision of this Agreement.

G. The parties agree that in the event Contractor violates any of the anti-discrimination provisions of this Agreement, County shall be entitled, at its option, to the sum of Five Hundred Dollars ($500) pursuant to California Civil Code section 1671 as liquidated damages in lieu of canceling, terminating, or suspending this Agreement.

5. FAIR LABOR STANDARDS ACT: Contractor shall comply with all applicable provisions of the federal Fair Labor Standards Act, and shall indemnify, defend, and hold harmless County, its officers, employees, and agents from any and all liability including, but not limited to, wages, overtime pay, liquidated damages, penalties, court costs, and attorneys' fees arising under any wage and hour law including, but not limited to, the federal Fair Labor Standards Act for services performed by Contractor's employees for which County may be found jointly or solely liable.

6. EMPLOYMENT ELIGIBILITY VERIFICATION: Contractor warrants that it fully complies with all federal statutes and regulations regarding employment of undocumented aliens and others, and that all its employees performing services hereunder meet the citizenship or alien status requirements contained in

federal statutes and regulations. Contractor shall obtain, from all covered employees performing services hereunder, all verification and other documentation of employment eligibility status required by federal statutes and regulations, as they currently exist and as they may be hereafter amended. Contractor shall retain such documentation for all covered employees for the period prescribed by law. Contractor shall indemnify, defend and hold harmless County, its officers, and employees from employer sanctions and any other liability which may be assessed against Contractor or County in connection with any alleged violation of federal statutes or regulations pertaining to the eligibility for employment of persons performing services under this Agreement.

7. CONTRACTOR'S EXCLUSION FROM PARTICIPATION IN A FEDERALLY FUNDED PROGRAM: Contractor hereby warrants that neither it nor any of its staff members is restricted or excluded from providing services under any health care program funded by the federal government, directly or indirectly, in whole or in part, and that Contractor will notify Director in writing, within thirty (30) calendar days, of: (1) any event that would require Contractor or a staff member's mandatory exclusion from participation in a federally funded health care program; and (2) any exclusionary action taken by any agency of the federal government against Contractor or one or more staff members barring it or the staff members from participation in a federally funded health care program, whether such bar is direct or indirect, or whether such bar is in whole or in part.

Contractor shall indemnify and hold County harmless against any and all loss or damage County may suffer arising from any federal exclusion of Contractor or its staff members from such participation in a federally funded health care program.

Failure by Contractor to meet the requirements of this Paragraph shall constitute a material breach of contract upon which County may immediately terminate or suspend this Agreement.

8. RULES AND REGULATIONS: During the time that Contractor's employees, or subcontractors are at Medical Center, Contractor and such persons shall be subject to the rules and regulations of Medical Center. Medical Center's Administrator shall furnish a copy of rules and regulations to Contractor pertaining to Medical Center prior to the execution of this Agreement and, during the term of this Agreement, shall furnish Contractor with any changes thereto as from time to time may be adopted. It is the responsibility of Contractor to acquaint itself and such persons who may provide services hereunder with such rules and regulations. Contractor agrees to immediately and permanently withdraw any of its employees or subcontractors from the provision of services hereunder upon receipt of written notice from the Director that: (1) such employee or subcontractor has violated such rules or regulations, or (2) such employee's or subcontractor's actions while on County premises, indicate that such employee or subcontractor may adversely affect the delivery of health care services to County patients. The Director must submit with such notice a written statement of the facts supporting any such alleged violation or action.

9. STAFF PERFORMANCE OF SERVICES WHILE UNDER THE INFLUENCE: Contractor shall ensure that no employee or other person under Contractor's control, performs services hereunder while under the influence of any alcoholic beverage, medication, narcotic, or other substance that might impair his/her physical or mental performance.

10. UNLAWFUL SOLICITATION: Contractor shall inform all of its officers and employees performing services hereunder of the provisions of Article 9 of Chapter 4 of Division 3 (commencing with section 6150) of Business and Professions Code of the State of California (i.e., State Bar Act provisions regarding unlawful solicitation as a runner or capper for attorneys) and shall take positive and affirmative steps in its performance hereunder to ensure that there is no violation of said provisions by its officers and employees. Contractor agrees to utilize the attorney referral service of all those bar associations within Los Angeles County that have such a service.

11. AUTHORIZATION WARRANTY: Contractor hereby represents and warrants that the person executing this Agreement for Contractor is an authorized agent who has actual authority to bind Contractor to each and every term, condition, and obligation set forth in this Agreement and that all requirements of Contractor have been fulfilled to provide such actual authority.

12. COUNTY LOBBYISTS: Each County lobbyist as defined in Los Angeles County Code Section 2.160.010, retained by Contractor, shall fully comply with the County Lobbyist ordinance, Los Angeles County Code Chapter 2.160. Failure on the

part of any County lobbyist retained by Contractor to fully comply with the County Lobbyist Ordinance shall constitute a material breach of this Agreement upon which County may immediately terminate or suspend this Agreement.

13. RESTRICTIONS ON LOBBYING: If any federal monies are to be used to pay for Contractor's services under this Agreement, Contractor shall comply with all such certification and disclosure requirements prescribed by Section 319, Public Law 101-121 (31 United States Code Section 1352) and any implementing regulations, and shall ensure that each of its subcontractors receiving funds provided under this Agreement also fully comply all such certification and disclosure requirements.

14. COUNTY'S QUALITY ASSURANCE PLAN: The County or its agents will evaluate Contractor's performance under this Agreement on not less than an annual basis. Such evaluation will include assessing Contractor's compliance with all contract terms and performance standards. Contractor deficiencies which Director determines are severe or continuing and that may place performance of the Agreement in jeopardy if not corrected will be reported to County's Board of Supervisors. The report will include improvement/corrective action measures taken by Director and Contractor. If improvement does not occur consistent with the corrective action measures, County may terminate Agreement or impose other penalties as specified in Agreement.

15. RECORDS AND AUDITS:

A. Service Records: Contractor shall maintain, and provide upon request by County, accurate and complete

records of its activities and operations as they relate to the provision of services, hereunder.

B. Financial Records: Contractor shall prepare and maintain on a current basis, complete financial records in accordance with generally accepted accounting principles and also in accordance with any additional accounting principles and procedures, and standards, which may from time to time be promulgated by Director. All such records shall be sufficient to substantiate all charges billed to County in the performance of this Agreement. Further, all financial records of Contractor pertaining to this Agreement, including accurate books and records of accounts of its costs and operating expenses, and all records of services (including personnel provided), as well as other financial records pertaining to this Agreement, shall be retained by Contractor for a minimum period of five (5) years following the expiration or prior termination of this Agreement. During such five (5) year period, as well as during the term of this Agreement, all records pertaining to this Agreement, or true and correct copies thereof, including but not limited to, those records described above, shall either: (1) be retained by Contractor, accessible for review by County representatives at a location in Los Angeles County, or (2) if retained by Contractor at a location outside of Los Angeles County, moved from such a location, to a location within Los Angeles County for review, upon Director's request, and made available during County's normal business

hours, within ten (10) calendar days, to representatives of County, or federal and State governments, for purposes of inspection and audit. In the event such records are located outside Los Angeles County and Contractor is unable to move such records to Los Angeles County, then Contractor shall permit such inspection or audit to take place at an agreed to outside location, and Contractor shall pay County for travel, per diem, and other costs related to such inspection and audit.

Contractor shall further agree to provide such records, when possible, immediately to County by facsimile/FAX, or through the internet (i.e., electronic mail ["e-mail"]), upon Director's request. Director's request shall include appropriate County facsimile/FAX number(s) and/or e-mail address(es) for Contractor to provide such records to County. In any event, Contractor shall agree to make available the original documents of such FAX and e-mail records when requested by Director for review as described hereinabove.

C. Federal Access to Records: If, and to the extent that, section 1861 (v)(1)(I) of the Social Security Act [42 United States Code ("U.S.C.") section 1395x (v)(1)(I)] is applicable, Contractor agrees that for a period of five (5) years following the furnishing of services under this Agreement, Contractor shall maintain and make available, upon written request, to the Secretary of the United States Department of Health and Human Services or the Comptroller

General of the United States, or to any of their duly authorized representatives, this Agreement, books, documents, and records of Contractor which are necessary to verify the nature and extent of the cost of services provided hereunder. Furthermore, if Contractor carries out any of the services provided hereunder through any subcontract with a value or cost of Ten Thousand Dollars ($10,000) or more over a twelve (12) month period with a related organization (as that term is defined under federal law), Contractor agrees that each such subcontract shall provide for such access to the sub-contract, books, documents and records of the subcontractor.

D. County To Be Provided Audit Report(s): In the event that an audit is conducted of Contractor specifically regarding this Agreement by any federal or State auditor, or any auditor or accountant employed by Contractor or otherwise, Contractor shall file a copy of each such audit report with Director and County's Auditor-Controller within thirty (30) calendar days of Contractor's receipt thereof, unless otherwise provided under this Agreement, or under applicable federal or State regulations. To the extent permitted by law, County shall maintain the confidentiality of such audit report(s). Failure of Contractor to comply with these terms shall constitute a material breach of this Agreement upon which County may cancel, terminate, or suspend this Agreement.

E. Audit/Compliance Review: In the event County representatives conduct an audit/compliance review of Contractor, Contractor shall fully cooperate with County's representatives. Contractor shall allow County representatives access to all records of services rendered and all financial records and reports pertaining to this Agreement and shall allow photocopies to be made of these documents utilizing Contractor's photocopier, for which County shall reimburse Contractor its customary charge for record copying services, if requested. Director shall provide Contractor with at least ten (10) working days prior written notice of any audit/compliance review, unless otherwise waived by Contractor.

County may conduct a statistical sample audit/ compliance review of all claims paid by County during a specified period. The sample shall be determined in accordance with generally accepted auditing standards. An exit conference shall be held following the performance of such audit/compliance review at which time the results shall be discussed with Contractor. Contractor shall be provided with a copy of any written evaluation reports.

Contractor shall have the opportunity to review County's findings on Contractor, and Contractor shall have thirty (30) calendar days after receipt of County's audit/ compliance review results to provide documentation to County representatives to resolve the audit exceptions. If, at the end of the thirty (30) calendar day period, there remains

audit exceptions which have not been resolved to the satisfaction of County's representatives, then the exception rate found in the audit, or sample, shall be applied to the total County payment made to Contractor for all claims paid during the audit/compliance review period to determine Contractor's liability to County.

F. County Audit Settlements: If, at any time during the term of this Agreement or at any time within five (5) years after the expiration or earlier termination of this Agreement, authorized representatives of County conduct an audit of Contractor regarding the services provided to County hereunder and if such audit finds that County's dollar liability for such services is less than payments made by County to Contractor, then Contractor agrees that the difference shall be either: (1) repaid forthwith by Contractor to County by cash payment, or (2) at Director's option, deducted from any further amount due Contractor from County. If such audit finds that County's dollar liability for services provided hereunder is more than payments made by County to Contractor, then the difference shall be paid forthwith to Contractor by County by cash payment.

16. REPORTS: Contractor shall make reports as required by County, or DHS, concerning Contractor's activities and operations as they relate to this Agreement and the provision of services hereunder. In no event, however may County, or DHS, require such reports unless Director has provided Contractor with at least thirty (30)

calendar days' prior written notification thereof. Director's notification shall provide Contractor with a written explanation of the procedures for reporting the information required.

17. CONFIDENTIALITY: To the extent that Contractor may gain access hereunder to County patient records and information, Contractor shall maintain the confidentiality of such records and information from third parties, including but not limited to, billings and County records, in accordance with all applicable federal, State, and local laws, ordinances, rules, regulations, and directives relating to confidentiality. Contractor shall inform all its officers, employees, agents, subcontractors, and others providing services hereunder of this confidentiality provision requirement. Contractor shall indemnify and hold harmless County, its officers, employees, agents, and subcontractors, from and against any and all loss, damage, liability, and expense arising out of any disclosure of patient records and information by Contractor, its officers, employees, agents, subcontractors, and others providing services hereunder.

18. CONTRACTOR PERFORMANCE DURING CIVIL UNREST OR DISASTER: Contractor recognizes that health care facilities maintained by County provide care essential to the residents of the communities they serve, and that these services are of particular importance at the time of a riot, insurrection, civil unrest, natural disaster, or similar

event. Notwithstanding any other provision of this contract, full performance by Contractor during any riot, insurrection, civil unrest, natural disaster or similar event is not excused if such performance remains physically possible. Failure to comply with this requirement shall be considered a material breach by Contractor for which County may immediately terminate this Agreement.

19. PROHIBITION AGAINST ASSIGNMENT AND DELEGATION:

A. Contractor shall not assign its rights or delegate its duties under this Agreement, or both, whether in whole or in part, without the prior written consent of County. Any assignment or delegation which does not have such prior County consent shall be null and void. For purposes of this Paragraph, such County consent shall require a written amendment to this Agreement which is formally approved and executed by the parties. Any billings to County by any delegatee or assignee on any claim under this Agreement, absent such County's consent, shall not be paid by County. Any payments by County to any delegatee or assignee on any claim under this Agreement, in consequence of any such County consent, shall reduce dollar for dollar any claims which Contractor may have against County and shall be subject to setoff, recoupment or other reduction of claims which County may have against Contractor, whether under this Agreement or otherwise.

B. Shareholders or partners, or both, of Contractor may sell, exchange, assign, divest, or otherwise transfer any interest they may have therein. However, in the event any such sale, exchange, assignment, divestment or other transfer is effected in such a way as to give majority control of Contractor to any person(s), corporation, partnership or legal entity other than the majority controlling interest therein at the time of execution of this Agreement, then prior written consent thereof by County's Board of Supervisors shall be required. Any payments by County to Contractor on any claim under this Agreement shall not waive or constitute such County consent. Consent to any such sale, exchange, assignment, divestment, or other transfer shall be refused only if County, in its sole judgement, determines that the transferee(s) is (are) lacking in experience, capability and financial ability to perform all Agreement services and other work. This in no way limits any County right found elsewhere in this Agreement, including, but not limited to, any right to terminate this Agreement.

C. Any assumption, assignment, delegation, or takeover of any of the Contractor's duties, responsibilities, obligations, or performance of same by any entity other than the Contractor, whether through assignment, subcontract, delegation, merger, buyout, or any other mechanism, with or without

consideration for any reason whatsoever without County's express prior written approval, shall be a material breach of the Agreement which may result in the termination of the Agreement. In the event of such termination, County shall be entitled to pursue the same remedies against Contractor as it could pursue in the event of default by Contractor.

20. COMPLIANCE WITH JURY SERVICE PROGRAM:

A. Jury Service Program: This Agreement is subject to the service provisions of the County's ordinance entitled Contractor Employee Jury Service ("Jury Service Program") as codified in Sections 2.203.010 through 2.203.090 of the Los Angeles County Code.

B. Written Employee Jury Service Policy:

(1) Unless Contractor has demonstrated to County's satisfaction either that Contractor is not a "contractor" as defined under the Jury Service Program (Section 2.203.020 of the County Code) or that Contractor qualifies for an exception to the Jury Service Program (Section 2.203.070 of the County Code), Contractor shall have and adhere to a written policy that provides that its employees shall receive from Contractor, on an annual basis, no less than five (5) days of regular pay for actual jury service served. Contractor's policy may further provide that employees deposit any fees received for such jury service with Contractor or that Contractor deduct from the

employee's regular pay the fees received for jury service.

(2) For purpose of this Paragraph, and as set forth in the Jury Service Program provision of the County Code as described hereinabove: "Contractor" shall mean a person, partnership, corporation, or other entity, that has a contract with County, or a subcontract with a County contractor, and has received, or will receive, an aggregate sum of Fifty Thousand Dollars ($50,000) or more in any twelve (12) month period under one (1) or more County contracts or subcontracts; "employee" shall mean any California resident who is a full-time employee of Contractor; and "full-time" shall mean forty (40) hours or more worked per week, or a lesser number of hours, if: 1) the lesser number is a recognized industry standard as determined by County, or 2) Contractor has a long-standing practice that defines the lesser number of hours as full-time.

Full-time employees providing short-term temporary services of ninety (90) days or less within a twelve (12) month period are not considered full-time for purposes of the Jury Service Program. If Contractor uses any subcontractor to perform services for County under this Agreement, the subcontractor shall also be subject to the provisions of this Paragraph. The provisions of this Paragraph shall be inserted into any

such subcontract agreement and a copy of the Jury Service Program shall be attached to the agreement.

(3) If Contractor is not required to comply with the Jury Service Program on the effective date of this Agreement, Contractor shall have a continuing obligation to review the applicability of its "exception status" from the Jury Services Program, and Contractor shall immediately notify County if Contractor at any time either comes within the Jury Service Program's definition of "Contractor", or if Contractor no longer qualifies for an exception to the Jury Service Program. In either event, Contractor shall immediately implement a written policy consistent with the Jury Service Program. County may also require, at any time during the Agreement term, and at its sole discretion, that Contractor demonstrate to County's satisfaction that Contractor either continues to remain outside of the Jury Service Program's definition of "Contractor" and/or that Contractor continues to qualify for an exception to the Jury Service Program. The required form, "County of Los Angeles Contractor Employee Jury Service Program Certification Form and Application for Exception", is to be completed by the Contractor prior to Board approval of this Agreement and forwarded to Contracts and Grants.

(4) Contractor's violation of this Paragraph of the Agreement may constitute a material breach of this Agreement. In the event of such breach, County may, in its sole discretion, terminate this Agreement and/or bar Contractor from the award of future County contracts for a period of time consistent with the seriousness of the breach.

21. LICENSES, PERMITS, REGISTRATIONS, ACCREDITATIONS, AND CERTIFICATES: Contractor shall obtain and maintain in effect during the term of this Agreement, all appropriate licenses, permits, registrations, accreditations, and certificates required by all applicable federal, State, and local laws, regulations, guidelines and directives, for the operation of its business operation and for the provisions of services hereunder. Contractor shall ensure that all of its officers, employees, and agents who perform services hereunder, obtain and maintain in effect during the term of this Agreement, all licenses, permits, registrations, accreditations, and certificates required by federal, State, and local laws, regulations, guidelines and directives, which are applicable to their performance hereunder. Upon Director's written request Contractor shall provide Director with a copy of each license, permit, registration, accreditation, and certificate, as required by all applicable federal, State, and local laws, regulations, guidelines and directives, within ten (10) calendar days thereafter.

22. INDEPENDENT CONTRACTOR STATUS:

A. This Agreement is by and between County and Contractor and is not intended, and shall not be construed, to create the relationship of employee, agent, servant, partnership, joint venture, or association, as between County and Contractor. The employees and agents of one party shall not be, or be construed to be, employees or agents of the other party for any purpose whatsoever.

B. Contractor shall be solely liable and responsible for providing to, or on behalf of, its officers and employees all legally required employee benefits. County shall have no liability or responsibility for the payment of any salaries, wages, unemployment benefits, disability benefits, federal, State, and local taxes, or other compensation, benefits, or taxes to, or on behalf of, any personnel provided by Contractor.

C. Contractor understands and agrees that all persons furnishing services to County pursuant to this Agreement are, for purposes of workers' compensation liability, the sole employees of Contractor and not employees of County. Contractor shall bear the sole responsibility and liability for furnishing workers' compensation benefits to any person for injuries arising from or connected with services performed by or on behalf of Contractor pursuant to this Agreement.

23. REQUIREMENT TO NOTIFY EMPLOYEES ABOUT FEDERAL EARNED INCOME CREDIT ("EIC"): Contractor shall notify its employees,

and shall require that each of its subcontractors notify its employees, to inform them that they may be eligible for claiming federal EIC as allowed under the federal income tax laws. Such notification shall be provided in accordance with the requirements as set forth in the Department of Treasury Internal Revenue Service's ("IRS") Notice 1015; copies of which are available from the IRS Forms Distribution Center by calling (800) 829-3676.

24. CONTRACTOR'S WARRANTY OF ADHERENCE TO COUNTY'S CHILD SUPPORT COMPLIANCE PROGRAM: Contractor acknowledges that County has established a goal of ensuring that all individuals who benefit financially from County through contract are in compliance with their court-ordered child, family, and spousal support obligations in order to mitigate the economic burden otherwise imposed upon County and its taxpayers.

As required by County's Child Support Compliance Program (County Code Chapter 2.200) and without limiting Contractor's duty under this Agreement to comply with all applicable provisions of law, Contractor warrants that it is now in compliance and shall during the term of this Agreement maintain in compliance with employment and wage reporting requirements as required by the federal Social Security Act [(42 USC section 653(a)] and California Unemployment Insurance Code section 1088.55, and shall implement all lawfully served Wage and Earnings Withholdings Orders or Child Support Services Department ("CSSD") Notices of Wage and Earnings Assignment for Child,

Family, or Spousal Support, pursuant to Code of Civil Procedure section 706.031 and Family Code section 5246(b).

25. TERMINATION FOR BREACH OF WARRANTY TO MAINTAIN COMPLIANCE WITH COUNTY'S CHILD SUPPORT COMPLIANCE PROGRAM: Failure of Contractor to maintain compliance with the requirements set forth in "Contractor's Warranty of Adherence to County's Child Support Compliance Program" Paragraph immediately above, shall constitute default by Contractor under this Agreement. Without limiting the rights and remedies available to County under any other provision of this Agreement failure of Contractor to cure such default within ninety (90) calendar days of written notice shall be grounds upon which County may terminate this Agreement pursuant to the TERMINATION Paragraphs of this Agreement and pursue debarment of Contractor, pursuant to County Code Chapter 2.202.

26. NOTICE TO EMPLOYEES REGARDING THE SAFELY SURRENDERED BABY LAW: The Contractor shall notify and provide to its employees, and shall require each subcontractor to notify and provide to its employees, a fact sheet regarding the Safely Surrendered Baby Law, its implementation in Los Angeles County, and where and how to safely surrender a baby. The fact sheet is attached hereto and incorporated herein, and is also available on the Internet at www.babysafela.org for printing purposes.

27. CONTRACTOR'S ACKNOWLEDGMENT OF COUNTY'S COMMITMENT TO THE SAFELY SURRENDERED BABY LAW: The Contractor acknowledges that the County places a high priority on the implementation of the Safely Surrendered Baby Law. The Contractor understands that

it is the County' s policy to encourage all County Contractors to voluntarily post the County's "Safely Surrendered Baby Law" poster in a prominent position at the Contractor's place of business. The Contractor will also encourage its Subcontractors, if any, to post this poster in a prominent position in the Subcontractor's place of business. The County's Department of Children and Family Services will supply the Contractor with the poster to be used.

28. CONSIDERATION OF COUNTY'S DEPARTMENT OF PUBLIC SOCIAL SERVICES ("DPSS") GREATER AVENUES FOR INDEPENDENCE ("GAIN") PROGRAM OR GENERAL RELIEF OPPORTUNITY FOR WORK ("GROW") PARTICIPANTS FOR EMPLOYMENT: Should Contractor require additional or replacement personnel after the effective date of this Agreement, Contractor shall give consideration for any such employment openings to participants in the County's DPSS GAIN or GROW program(s), who meet Contractor's minimum qualifications for the open position. For this purpose, consideration shall mean that Contractor will interview qualified candidates. County will refer GAIN/GROW participants by job category to the Contractor. In the event that both laid-off County employees and GAIN/GROW participants are available for hiring, County employees shall be given first priority.

29. COUNTY EMPLOYEE'S RIGHT OF FIRST REFUSAL AND CONTRACTOR'S OFFERS OF EMPLOYMENT: To the degree permitted by Contractor's agreements with its collective bargaining units, Contractor shall give the right of first refusal for its employment openings at Contractor's facility to qualified County

employees who are laid-off or who leave County employment in lieu of reduction under County's Civil Service Rule 19, and who are referred to Contractor by Director (including those on a County re-employment list). Such offers of employment shall be limited to vacancies in Contractor's staff needed to commence services under this Agreement, as well as, to vacancies that occur during the Agreement term. Such offers of employment shall be consistent with Contractor's current employment policies, and shall be made to any former or current County employee who has made application to Contractor, and is qualified for the available position. Employment offers shall be at least under the same conditions and rates of compensations which apply to other persons who are employed or may be employed by Contractor. Former County employees who have been impacted by County's Civil Service Rule 19, and who are employed by Contractor shall not be discharged during the term of the Agreement except for cause, subject to Contractor's personnel policies and procedures, and agreement(s) with its collective bargaining units.

Contractor shall also give first consideration to laid-off or reduced County employees if vacancies occur at Contractor's other service sites during the Agreement term.

30. NO INTENT TO CREATE A THIRD PARTY BENEFICIARY CONTRACT: Notwithstanding any other provision of this Agreement, the parties do not in any way intend that any person shall acquire any rights as a third party beneficiary under this Agreement.

31. SERVICE DELIVERY SITE - MAINTENANCE STANDARDS: Contractor shall assure that the location(s) [e.g.,

facility(ies)] where Contractor provides services under this Agreement, is/are operated at all times in accordance with all County and local community standards with regard to property maintenance and repair, graffiti abatement, refuse removal, fire safety, landscaping, and in full compliance with all applicable local laws, ordinances, and regulations relating to the property. County's periodic monitoring visits to Contractor's facility(ies) shall include a review of compliance with the provisions of this Paragraph.

32. DAMAGE TO COUNTY BUILDINGS, FACILITIES, OR GROUNDS: Contractor shall repair, or cause to be repaired, at its own cost, any damage to County buildings, facilities, or grounds, caused by Contractor or any officer, employee, or agent of Contractor. Such repairs shall be made immediately after Contractor has become aware of such damage, but in no event, later than thirty (30) calendar days after the occurrence.

If Contractor fails to make timely repairs, County may make any necessary repairs on its own. All costs incurred by County for such repairs, as determine by Director, shall be repaid by Contractor upon demand.

33. USE OF RECYCLED - CONTENT BOND PAPER: Consistent with County's Board of Supervisors policy to reduce the amount of solid waste deposited at County landfills, Contractor agrees to use recycled-content bond paper and paper products to the maximum extent possible in connection with services to be performed by Contractor under this Agreement.

34. NOTICE OF DELAYS: Except as otherwise provided under this Agreement, when either party has knowledge that any actual or potential situation is delaying or threatens to delay the timely performance of this Agreement, that party shall within two (2) calendar days, give notice thereof, including all relevant information with respect thereto, to the other party.

35. CONFLICT OF INTEREST:

A. No County officer or employee whose position in County enables such officer or employee to influence the award or administration of this Agreement or any competing agreement, and no spouse or economic dependent of such officer or employee shall be employed in any capacity by Contractor herein, or have any other direct or indirect financial interest in this Agreement. No officer, employee, agent, or subcontractor of Contractor who may financially benefit from the provision of services hereunder shall in any way participate in County's approval process for the award of this Agreement or any competing agreement, or ongoing evaluation of such services, under this Agreement or any competing agreement, or in any way attempt to unlawfully influence County's approval or ongoing evaluation of such services.

B. Contractor shall comply with all conflict of interest laws, ordinances, and regulations now in effect or hereafter to be enacted during the term of this Agreement. Contractor warrants that it is not now aware of any facts which create a conflict of interest. If Contractor

hereafter becomes aware of any facts which might reasonably be expected to create a conflict of interest, it shall immediately make full written disclosure of such facts to Director. Full written disclosure shall include, without limitation, identification of all persons involved, or implicated, and a complete description of all relevant circumstances.

36. TERMINATION FOR INSOLVENCY: County may terminate this Agreement immediately for default in the event of the occurrence of any of the following:

A. Insolvency of Contractor. Contractor shall be deemed to be insolvent if it has ceased to pay its debts at least sixty (60) calendar days in the ordinary course of business or cannot pay its debts as they become due, whether Contractor has committed an act of bankruptcy or not, and whether Contractor is insolvent within the meaning of the federal Bankruptcy Law or not;

B. The filing of a voluntary or involuntary petition under the federal Bankruptcy Law;

C. The appointment of a Receiver or Trustee for Contractor;

D. The execution by Contractor of an assignment for the benefit of creditors.

The rights and remedies of County provided in this Paragraph shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Agreement.

37. TERMINATION FOR DEFAULT: County may, by written notice of default to Contractor, terminate this Agreement immediately in any one of the following circumstances:

A. If, as determined in the sole judgment of County, Contractor fails to perform any services within the times specified in this Agreement or any extension thereof as County may authorize in writing; or

B. If, as determined in the sole judgment of County, Contractor fails to perform and/or comply with any of the other provisions of this Agreement, or so fails to make progress as to endanger performance of this Agreement in accordance with its terms, and in either of these two (2) circumstances, does not cure such failure within a period of five (5) calendar days (or such longer period as County may authorize in writing) after receipt of notice from County specifying such failure.

In the event that County terminates this Agreement as provided hereinabove, County may procure, upon such terms and in such manner as County may deem appropriate, services similar to those so terminated, and Contractor shall be liable to County for any reasonable excess costs incurred by County for such similar services.

The rights and remedies of County provided in this Paragraph shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Agreement.

38. TERMINATION FOR IMPROPER CONSIDERATION: County may, by written notice to Contractor, immediately terminate Contractor's

right to proceed under this Agreement, if it is found that consideration in any form, were offered or given by Contractor, either directly or through an intermediary, to any County officer, employee, or agent, with the intent of securing the Agreement or securing favorable treatment with respect to the award, amendment, or extension of the Agreement, or making of any determinations with respect to the Contractor's performance pursuant to the Agreement. In the event of such termination, County shall be entitled to pursue the same remedies against Contractor as it could in the event of default by Contractor.

Contractor shall immediately report any attempt by a County officer, employee, or agent, to solicit such improper consideration. The report shall be made either to the County manager charged with the supervision of the employee or agent, or to the County Auditor-Controller's Employee Fraud Hotline at (213) 974-0914 or (800) 544-6861.

(Among other items, such improper considerations may take the form of cash, discounts, services, the provision of travel or entertainment, or other tangible gifts).

39. TERMINATION FOR MATERIAL BREACH: Notwithstanding any other provision of this Agreement, the failure of Contractor or its officers, employees, agents, or subcontractors, to comply with any of the terms of this Agreement or any written directions by or on behalf of County issued pursuant hereto shall constitute a material breach hereto, and this Agreement may be terminated by County immediately. County's failure to exercise this right of

termination shall not constitute a waiver of such right, which may be exercised at any subsequent time.

40. TERMINATION FOR CONVENIENCE: The performance of services under this Agreement may be terminated, with or without cause, in whole or in part, from time to time when such action is deemed by County to be in its best interest. Termination of services hereunder shall be effected by delivery to Contractor of a thirty (30) calendar day advance Notice of Termination specifying the extent to which performance of services under this Agreement is terminated and the date upon which such termination becomes effective.

After receipt of a Notice of Termination and except as otherwise directed by County, Contractor shall:

(1) Stop services under this Agreement on the date and to the extent specified in such Notice of Termination; and

(2) Complete performance of such part of the services as shall not have been terminated by such Notice of Termination. Further, after receipt of a Notice of Termination, Contractor shall submit to County, in the form and with the certifications as may be prescribed by County, its termination claim and invoice. Such claim and invoice shall be submitted promptly, but not later than sixty (60) calendar days from the effective date of termination. Upon failure of Contractor to submit its termination claim and invoice within the time allowed, County may determine on the basis of information available to County, the amount, if any, due to Contractor in respect to the termination, and

such determination shall be final. After such determination is made, County shall pay Contractor the amount so determined.

Contractor for a period of five (5) years after final settlement under this Agreement, in accordance with the RECORDS AND AUDITS Paragraph, herein, retain and make available all its books, documents, records, or other evidence, bearing on the costs and expenses of Contractor under this Agreement in respect to the termination of services hereunder.

41. TERMINATION FOR NON-APPROPRIATION OF FUNDS: Notwithstanding any other provision of this Agreement, County shall not be obligated for preventive maintenance and repair services performed hereunder, or by any provision of this Agreement, during any of County's future July 1 - June 30 fiscal years unless and until County's Board of Supervisors appropriates funds for this Agreement in County's Budget for each such future fiscal year. In the event that funds are not appropriated for this Agreement, then this Agreement shall be deemed to have terminated on June 30 of the last County fiscal year for which funds were appropriated. Director shall notify Contractor in writing of such non-appropriation of funds at the earliest possible date.

42. CONTRACTOR RESPONSIBILITY AND DEBARMENT:

A. A responsible Contractor is a Contractor who has demonstrated the attribute of trustworthiness, as well as quality, fitness, capacity and experience to satisfactorily

perform the contract. It is County's policy to conduct business only with responsible contractors.

B. Contractor is hereby notified that, in accordance with Chapter 2.202 of the County Code, if County acquires information concerning the performance of Contractor on this or other contracts, which indicates that Contractor is not responsible, County may, in addition to other remedies provided in the contract, debar Contractor from bidding or proposing on, or being awarded, and/or performing work on County contracts for a specified period of time, which generally will not exceed five (5) years or be permanent if warranted by the circumstances, and terminate any or all existing contracts Contractor may have with County.

C. County may debar Contractor if County's Board of Supervisors finds, in its discretion, that Contractor has done any of the following: (1) violated a term of a contract with County or a nonprofit corporation created by County, (2) committed an act or omission which negatively reflects on Contractor's quality, fitness or capacity to perform a contract with County, any other public entity, or a nonprofit corporation created by County, or engaged in a pattern or practice which negatively reflects on same, (3) committed an act or offense which indicates a lack of business integrity or business honesty, or (4) made or submitted a false claim against County or any other public entity.

D. If there is evidence that Contractor may be subject to debarment, the Department will notify Contractor in writing of the evidence which is the basis for the proposed debarment and will advise Contractor of the scheduled date for a debarment hearing before the Contractor Hearing Board.

E. The Contractor Hearing Board will conduct a hearing where evidence on the proposed debarment is presented. Contractor and/or Contractor's representative shall be given an opportunity to submit evidence at that hearing. After the hearing, the Contractor Hearing Board shall prepare a tentative proposed decision, which shall contain a recommendation regarding whether contractor should be debarred, and if so, the appropriate length of time of the debarment. Contractor and the Department shall be provided an opportunity to object to the tentative proposed decision prior to its presentation to the Board of Supervisors.

F. After consideration of any objections, or if no objections are submitted, a record of the hearing, the proposed decision and any other recommendation of the Contractor Hearing Board shall be presented to the Board of Supervisors. The Board of Supervisors shall have the right at its sole discretion to modify, deny, or adopt the proposed decision and recommendation of the Hearing Board.

G. If a Contractor has been debarred for a period longer than five (5) years, that Contractor may, after the

debarment has been in effect for at least five (5) years, submit a written request for review of the debarment determination to reduce the period of debarment or terminate the debarment. County may, in its discretion, reduce the period of debarment or terminate the debarment if it finds that Contractor has adequately demonstrated one or more of the following: (1) elimination of the grounds for which the debarment was imposed; (2) a bona fide change in ownership or management; (3) material evidence discovered after debarment was imposed; or (4) any other reason that is in the best interests of County.

H. The Contractor Hearing Board will consider a request for review of a debarment determination only where (1) the Contractor has been debarred for a period longer than five (5) years; (2) the debarment has been in effect for at least five (5) years; and (3) the request is in writing, states one or more of the grounds for reduction of the debarment period or termination of the debarment, and includes supporting documentation. Upon receiving an appropriate request, the Contractor Hearing Board will provide notice of the hearing on the request. At the hearing, the Contractor Hearing Board shall conduct a hearing where evidence on the proposed reduction of debarment period or termination of debarment is presented. This hearing shall be conducted and the request for review decided by the Contractor Hearing Board pursuant to the same procedures as for a debarment hearing.

The Contractor Hearing Board's proposed decision shall contain a recommendation on the request to reduce the period of debarment or terminate the debarment. The Contractor Hearing Board shall present its proposed decision and recommendation to the Board of Supervisors. The Board of Supervisors shall have the right to modify, deny, or adopt the proposed decision and recommendation of the Contractor Hearing Board.

I. These terms shall also apply to any subcontractors of County Contractors.

43. SOLICITATION OF BIDS OR PROPOSALS: Contractor acknowledges that County, prior to expiration or earlier termination of this Agreement, may exercise its right to invite bids or request proposals for the continued provision of the services delivered or contemplated under this Agreement. County and/its DHS shall make the determination to solicit bids or request proposals in accordance with applicable County and DHS policies.

Contractor acknowledges that County may enter into a contract for the future provision of services, based upon the bids or proposals received, with a provider or providers other than Contractor. Further, Contractor acknowledges that it obtains no greater right to be selected through any future invitation for bids, or request for proposals, by virtue of its present status as Contractor.

44. GOVERNING LAWS, JURISDICTION, AND VENUE: This Agreement shall be governed by, and construed in accordance with,

the laws of the State of California. Contractor agrees and consents to the exclusive jurisdiction of the courts of the State of California for all purposes regarding this Agreement and further agrees and consents that the venue of any action (other than an appeal or an enforcement of a judgment) brought by Contractor, on Contractor's behalf, or on the behalf of any subcontractor, which arises from this Agreement or is concerning or connected with services performed pursuant to this Agreement, shall be exclusively in the courts of the State of California located in Los Angeles County, California.

45. WAIVER: No waiver of any breach of any provision of this Agreement by County shall constitute a waiver of any other breach of such provision. Failure of County to enforce at any time, or from time-to-time, any provision of this Agreement shall not be construed as a waiver thereof. The remedies herein reserved shall be cumulative and additional to any other remedies in law or equity.

46. SEVERABILITY: If any provision of this Agreement or the application thereof to any person or circumstance is held invalid, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby.

47. COVENANT AGAINST CONTINGENT FEES:

A. Contractor warrants that no person or selling agency has been employed or retained to solicit or secure this Agreement upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee,

excepting bona fide employees or bona fide established commercial or selling agencies maintained by Contractor for the purpose of securing business.

B. For breach or violation of this warranty, County shall have the right to terminate this Agreement and, in its sole discretion, to deduct from the payment or consideration, or otherwise recover, the full amount of such commission, percentage, brokerage or contingent fee.

EXHIBIT A

STATEMENT OF WORK

HEMATOLOGY/PATHOLOGY SERVICES AND CONSULTATION

1. SCOPE OF WORK: Contractor shall provide consultation and specialized laboratory services (immunohistochemical stains and markers and flow cytometry as listed on Attachment A and PCR and gene rearrangement) on surgical and other body fluid specimens to Olive View-UCLA Medical Center Department of Pathology (OVMC) on an as-needed basis five (5) days a week as described further in this Exhibit A. Contractor shall also maintain proper accreditations and licenses to operate as a clinical laboratory, analyze test specimens according to the testing methodologies approved by Director, report test results and other related test information verbally by phone for critical value tests, by FAX and subsequent original hard copy to OVMC laboratory within the completion times (i.e., turn-around times) required by OVMC laboratory. Contractor shall also participate in periodic quality assurance/improvement reviews and correct any deficiencies as found by OVMC or any accreditation or licensing agency and maintain test specimen slides as requested by OVMC.

A. Contractor shall ensure that all test samples are handled under properly controlled and

secured conditions at all times, including, but not limited to, the pre-analytical, analytical, and post-analytical phases of testing, as needed to maintain the integrity of the test specimens to be analyzed, and as required to achieve, or verify, accurate test results.

B. Contractor shall own, lease, or rent a laboratory facility that is specifically designed for analyzing test samples.

C. Contractor shall provide all laboratory test equipment, office equipment, supplies, and personnel needed to properly provide services as described hereunder.

D. Contractor shall return all blocks, cytology/ histopathology slides, and test samples that were processed at OVMC when the case has been completed.

E. Contractor's laboratory director is a qualified licensed M.D., Ph.D., Medical Scientist who shall be available to consult with pathologists verbally by telephone to discuss test results and other service related information.

F. Turn Around Time (TAT) is the interval of time from the receipt of the specimen at testing

laboratory to the time the printed test results are returned/reported by FAX and followed subsequently by the original hard copy of report. Turn around time will be two (2) business days from the time of receipt of specimen.

G. Contractor upon obtaining and confirming a test result that may be of critical and immediate importance to a patient's care e.g. all new malignancy cases (leukemia/lymphoma) and any change in type of malignancy, shall immediately telephone the test result to the OVMC pathologist responsible for the case or when requested by OVMC pathologist.

H. All tests shall be available and performed directly in Contractor's laboratory, unless otherwise approved by Facility Director or Lab Manager to be performed elsewhere.

I. Contractor shall provide Facility with written test report summaries that list the results found for each test sample sent to Contractor for analysis, as well as the assay/methodology used.

J. For hematopathology reports, Contractor's report shall provide a descriptive report that includes:

i. Descriptive microscopic examination.

ii. Interpretation/diagnosis.

iii. Any previous history on the patient that is available to Contractor.

iv. Additional pathologist comments and pathology codes (compatible with County Pathology codes).

K. Upon request, Contractor will provide required Surgical Pathology Consultation Requisition Forms.

2. CONTRACTOR PERSONNEL:

A. Contractor shall have at least one (1) full time laboratory director who has three (3) years experience as a physician, i.e., medical doctor (M.D.), licensed to practice medicine in California, Board Certified in Anatomical and Clinical Pathology (consistent with services the Contractor is accredited and licensed to provide). Contractor's laboratory director shall be available to consult with Director verbally by telephone to discuss laboratory testing methodology, as it applies to: receipt of tests/ specimens, laboratory testing results (both clinical and methodological), reports, and all other service related information, during all times that medical laboratory services are being provided herein.

Contractor shall provide Director with the name, business address, business telephone, cellular ("cell") phone, pager number, and electronic mail (i.e., e-mail) address, of Contractor's laboratory director, or directors when approved by Director, within ten (10) calendar days before the effective date of this Agreement, or within ten (10) calendar days prior to any effective laboratory change, thereafter.

B. Contractor shall have sufficient numbers of full-time applicable State licensed M.D.s commensurate with the complexity, diversity, and quality, of the tests performed at all times, to properly supervise and review the accuracy of the laboratory tests and work performed by Contractor's laboratory personnel and other related staff, when medical laboratory services are required herein.

C. Contractor shall during the term of this Agreement, in providing hematopathology, and other pathology services hereunder, have sufficient numbers of full-time applicable State certified/licensed laboratory personnel, commensurate with the complexity, diversity, and quality of tests to be performed at all times, and to be in compliance with

the provisions of section 1271, California Business and Professional Code, when medical laboratory services are required herein.

D. Contractor shall designate an administrator to lead and coordinate Contractor's day-to-day provision of services described hereunder. Contractor's administrator shall be available at all reasonable times (Monday through Friday, 8:00 a.m. to 5:00 p.m.), excluding County holidays, to act as a central point of contact with County personnel. Contractor shall notify County, in writing, of the name, telephone (e.g., cellular [cell phone]), pager, and facsimile/FAX number(s) of Contractor's designated day-to-day administrator within ten (10) calendar days prior to the effective date of this Agreement.

E. Contractor's administrator shall be responsible for determining daily work duties, staffing levels, scheduling, and staffing hours needed to properly provide services hereunder, which shall be prepared in writing and submitted to the Director for approval, before any such services are provided. During the term of this Agreement, Contractor shall have available and shall provide upon request to authorized representatives of Director, the names of

Contractor's staff (including any subcontractor staff), their titles, professional degrees (if any), salary history, and experience in providing services hereunder.

F. Contractor's administrator shall institute and maintain appropriate supervision of all persons providing services pursuant to this Agreement.

G. Contractor shall assume the sole responsibility for the timely completion of all activities assigned or to be performed hereunder.

3. COUNTY PERSONNEL: County does not anticipate assigning County personnel or employees to assist Contractor on a full-time or even a part-time basis regarding services to be provided by Contractor pursuant to this Agreement. However, County personnel will be made available to Contractor at the discretion of Director to provide necessary input and assistance in order to answer questions and provide necessary liaisons between Contractor and County. In any event, County further will provide Contractor with an appropriate contact person at each work site location to be served under this Agreement.

4. COUNTY FURNISHED PROPERTY AND SERVICES: At the Director's sole discretion, County may assign space, chairs, and desks, on a non-exclusive basis, for work area and related used by Contractor. In the event the Director assigns space to the

Contractor, Contractor shall use the space only for the purpose of performance of services hereunder. Contractor is prohibited from use of such space, desks, and chairs for purposes other than the performance of this Agreement.

At the Director's sole discretion, County may provide access to telephones, fax machines, typewriters, and photocopying equipment, on a non-exclusive basis, for the purpose of Contractor's performance of this Agreement. Contractor is prohibited from use of such equipment for the purposes other than for the performance of this Agreement.

5. TEST AVAILABILITY:

A. Contractor shall provide medical laboratory services as described herein, to OVMC laboratory, as needed five (5) days per week, including during a strike, riot, insurrection, civil unrest, natural disaster, or similar event, when such services can be physically provided. Further, Contractor shall ensure that all laboratory tests will be available on an appropriate production schedule, as needed to meet OVMC laboratory's TATs. Any additional testing must be requested and approved by the OVMC pathologist who is responsible for the case. Contractor agrees that OVMC may elect not to pay for any test performed by Contractor without prior approval.

B. OVMC pathologists may require Contractor to perform tests not on Contractor's test list(s), but which are contained in Contractor's published commercial fee schedule, from time to time. Instances when this shall be deemed necessary include, but are not necessarily limited to the following;

1) Other laboratory is unable to meet the requested TAT.

2) Other laboratory is unable to provide reliable test results on such test(s) in accordance with acceptable test processing procedures.

This requirement notwithstanding, the OVMC laboratory director may order a test(s) from Contractor's published commercial fee schedule when such test(s) do not appear on the test list(s) attached hereto, in order to avoid the splitting of a patient's specimen(s) in which different tests are performed by more than one (1) medical laboratory services contractor, or testing service, the purpose of which is to prevent the possible duplication of tests, by different contractors, for the same patient. The commercial fee scheduled is attached hereto as Schedule 2.

6. REPORTING REQUIREMENTS:

A. Contractor agrees that each test result must be reported in the TAT specified.

B. Contractor's report of test results shall be in a format approved by Director, which shall include, but not be limited to, the following elements of information: patient's name, file number, birth date, sending laboratory's accession (specimen) number, patient location, name of requesting physician, date and time of collection, date and time test completed, date and time of report, and result with interpretation. In addition, each report must also contain all data and information, where applicable, as specified now, or as amended in the future by The Joint Commission and State Department of Health Services.

C. Further, in addition to Director's ability to consult with Contractor's laboratory director as described above, Contractor shall also maintain a telephone consultation service which will allow OVMC pathologists or laboratory personnel to make general telephone queries regarding a specific specimen or test result.

7. QUALITY ASSURANCE IMPROVEMENT: Contractor shall have a written quality assurance/improvement program and/or quality control procedures that are followed by Contractor in providing medical laboratory services herein that meet, or exceed any requirements as may be required by the College of American

Pathologists ("CAP"), The Joint Commission, or any other appropriate accreditation or licensing agency. Further, Contractor shall have an ongoing system of quality assurance/improvement, and shall keep quality control records in accordance with Federal and State regulations on each laboratory test it performs. OVMC representatives, duly authorized by Director, shall have access to these records when such access is required for the administration or audit of this Agreement. Contractor shall be prepared to provide details of its procedures used, including documentation of source material.

8. GENERAL CONTRACTOR REQUIREMENTS:

A. Business License: Prior to the execution of this Agreement, Contractor shall provide the Department of Health Services, Contracts and Grants Division with a copy of its current business license(s) and appropriate Employer Identification Number.

B. Recruitment: Contractor shall screen all personnel prior to assigning such personnel to provide services to assure that all such persons have the qualifications and training necessary to perform the services contemplated under this Agreement. All such service personnel shall be appropriately licensed, certified, credentialed, registered or trained to perform hematology/pathology services and consultation.

C. Contractor Personnel Qualifications: Contractor personnel providing services hereunder shall obtain and maintain in effect during the term of this Agreement, all licenses, permits, registrations and certificates required by law which are not applicable to their performance hereunder. Copies of such licenses, permits, registrations and certificates shall be made available to County upon request for purposes of inspection and audit.

D. Infection Control: If any of Contractor's personnel are diagnosed with having an infectious disease, and Contractor is made aware of such a diagnosis and such person has had contact with a County employee or patient during the usual incubation period for such infectious disease, then Contractor shall report such occurrences to Facility's Infection Control Department within twenty-four (24) hours of becoming aware of the diagnosis.

If County employee or patient is diagnosed with having an infectious disease, and such County employee or patient has had contact with Contractor's personnel during the usual incubation period for such infectious disease, each Facility shall report such occurrences to Contractor.

For purposes of this Agreement, the infectious diseases reportable hereunder are those listed in the Public Health List of Reportable Diseases.

E. Physical Examination: Contractor shall ensure that each person who performs services under this Agreement is examined by a licensed physician, or other licensed medical practitioner authorized to perform such physical examinations, on an annual basis or biannual basis, as required by each Facility based on such person's work location. Upon request by Director or his designee, Contractor shall provide County, with evidence that each such person is free of infectious and/or contagious disease(s) which would interfere with the person's ability to perform the services hereunder or which could be transmitted in the work place at each Facility. Such evidence shall include documentation that the person:

(1) received a physical examination, including a chest X-ray or tuberculin skin test, and

(2) is immune to measles (Rubeola and Rubella) and Hepatitis B through vaccination or anti-body titer test demonstrating such immunity.

In those instances where persons have not demonstrated immunity, and have refused vaccination, a waiver to that effect must be on file and provided upon request.

Written certification that such person is free of infectious disease(s) has been tested and/or vaccinated as required above, and physically able to perform the duties

described herein shall be retained by Contractor for purposes of inspection and audit and made available to County upon request.

9. BILLING AND PAYMENT:

A. Billing:

(1) Billings to County shall be submitted monthly in arrears in accordance with the rates set forth in Schedules 1 and 2.

(2) All billings hereunder shall be by Facility, shall be in duplicate, and shall be forwarded to the appropriate Facility and address as specified in the Agreement, BILLING AND PAYMENT Paragraph.

(3) Monthly Patient List: The Monthly Patient List of itemized billings shall list specimens by accession number or date of receipt to facilitate auditing of charges to include:

a. Patient's Full Name

b. Patient's File Number (Contractor shall have the ability to enter and keep track of a file number with alphabetical and numerical listings of up to ten (10) digits in length).

c. Patient's birth date

d. Sending laboratory's accession (specimen number)/patient's location.

e. Date and time specimen is received

f. Date and time test is completed

g. Date and time test is reported

h. Itemized test changes

i. Name of each test ordered

j. Number of each test ordered

k. Unit price of test

l. Total cost of each test

m. Any credits

The monthly Patient List and Monthly Billing Summary shall be delivered to the OVMC laboratory's administrative office within fifteen (15) business days after the end of each calendar month.

The original slides provided by the OVMC laboratory are to be returned to OVMC within thirty (30) days after the report is completed.

(4) All billings rendered by Contractor shall be in the name of Contractor as said name appears on the first page of this Agreement and shall include the County contract number.

B. Payment:

(1) Subject to the terms and conditions of this Agreement and upon receipt of a complete billing statement, and upon approval by Director of same,

County shall reimburse Contractor within thirty (30) calendar days in arrears upon receipt of Contractor's billing(s). County shall pay for all services which County considers complete and correct. Payment for incorrect billings shall be included when resolved in the next payment cycle.

(2) County shall compensate Contractor monthly in arrears in accordance with the rates set forth in Schedules 1 and 2.

Director shall evaluate all services and tasks performed by Contractor. If, in the Director's sole discretion, a service or task is not satisfactorily performed, Director shall provide Contractor with a written assessment of the deficiencies. Contractor shall, within ten (10) business days of receipt of Director's deficiency notification, remedy the identified deficiencies, at no additional cost to County. This approval process shall be repeated until Director deems all deficiencies have been remedied. Unless and until Contractor remedies all identified deficiencies, County shall not have any obligation to pay Contractor for deficient work performed under this Agreement.

SCHEDULE 1

**UCLA Pathology Outreach Services**
**Effective date of Board approval through June 30, 2008,**
**Delegated authority to continue month-to-month through December 31, 2008**

**Olive View Client Pricing: Anatomic Pathology & Flow Cytometry**

| CPT Code | Description | Tech* | Prof** | Global*** |
|---|---|---|---|---|
| 88312 | Special Stains Group 1 | $40.00 | $35.00 | $75.00 |
| 88313 | Special Stains Group II | $40.00 | $35.00 | $75.00 |
| 88321 | Slide Consult | | $35.00 | |
| 88342 | Immuno Stains | $40.00 | $35.00 | $75.00 |

| FLOW | Description | Tech | Prof | Global |
|---|---|---|---|---|
| 88184 | 1st marker | $46.00 | | NA |
| 88185 | Each additional marker | $22.00 | | |
| 88187 | 2-8 markers | | $58.00 | NA |
| 88188 | 9-15 markers | | $73.00 | NA |
| 88189 | 16 or more markers | | $97.00 | |

* Technical time and materials.
** Professional fees for slide review and consultation.
*** Global – requires both Technical and Professional fees.

| UCLA Pathology Outreach Services | | |
|---|---|---|
| Fee Schedule by CPT Code | | |
| CPT | | Third Party Rates |
| 88104 | Global | $95.00 |
| 88104TC | Technical Only | $50.00 |
| 8810426 | Profee Only | $45.00 |
| 88106 | Global | $125.00 |
| 88106TC | Technical Only | $80.00 |
| 8810626 | Profee Only | $45.00 |
| 88107 | Global | $155.00 |
| 88107TC | Technical Only | $90.00 |
| 8810726 | Profee Only | $65.00 |
| 88108 | Global | $115.00 |
| 88108TC | Technical Only | $70.00 |
| 8810826 | Profee Only | $45.00 |
| 88112 | Global | $190.00 |
| 88112TC | Technical Only | $95.00 |
| 8811226 | Profee Only | $95.00 |
| 88125 | Global | $35.00 |
| 88125TC | Technical Only | $15.00 |
| 8812526 | Profee Only | $25.00 |
| 88141 | Global | $40.00 |
| 88160 | Global | $85.00 |
| 88160TC | Technical Only | $45.00 |
| 8816026 | Profee Only | $40.00 |
| 88161 | Global | $95.00 |
| 88161TC | Technical Only | $55.00 |
| 8816126 | Profee Only | $45.00 |
| 88162 | Global | $115.00 |
| 88162TC | Technical Only | $55.00 |
| 8816226 | Profee Only | $65.00 |
| 88172 | Global | $85.00 |
| 88172TC | Technical Only | $35.00 |
| 8817226 | Profee Only | $50.00 |
| 88173 | Global | $225.00 |
| 88173TC | Technical Only | $110.00 |
| 8817326 | Profee Only | $115.00 |
| 88182 | Global | $175.00 |
| 88182TC | Technical Only | $115.00 |
| 8818226 | Profee Only | $65.00 |
| 88291 | Global | $45.00 |
| 88300 | Global | $40.00 |
| 88300TC | Technical Only | $35.00 |
| 8830026 | Profee Only | $10.00 |
| 88302 | Global | $85.00 |
| 88302TC | Technical Only | $70.00 |
| 8830226 | Profee Only | $15.00 |
| 88304 | Global | $105.00 |
| 88304TC | Technical Only | $90.00 |
| 8830426 | Profee Only | $20.00 |

| | | |
|---|---|---|
| 88305 | Global | $175.00 |
| 88305TC | Technical Only | $115.00 |
| 8830526 | Profee Only | $65.00 |
| 88307 | Global | $320.00 |
| 88307TC | Technical Only | $195.00 |
| 8830726 | Profee Only | $130.00 |
| 88309 | Global | $480.00 |
| 88309TC | Technical Only | $265.00 |
| 8830926 | Profee Only | $215.00 |
| 88311 | Global | $30.00 |
| 88311TC | Technical Only | $10.00 |
| 8831126 | Profee Only | $20.00 |
| 8831226 | Profee Only | $45.00 |
| 8831326 | Profee Only | $20.00 |
| 88314 | Global | $160.00 |
| 88314TC | Technical Only | $125.00 |
| 8831426 | Profee Only | $40.00 |
| 88318 | Global | $155.00 |
| 88318TC | Technical Only | $120.00 |
| 8831826 | Profee Only | $35.00 |
| 88319 | Global | $255.00 |
| 88319TC | Technical Only | $210.00 |
| 8831926 | Profee Only | $45.00 |
| 88323 | Global | $225.00 |
| 88323TC | Technical Only | $90.00 |
| 8832326 | Profee Only | $140.00 |
| 88325 | Global | $195.00 |
| 88329 | Global | $55.00 |
| 88331 | Global | $145.00 |
| 88331TC | Technical Only | $50.00 |
| 8833126 | Profee Only | $100.00 |
| 88332 | Global | $65.00 |
| 88332TC | Technical Only | $20.00 |
| 8833226 | Profee Only | $50.00 |
| 88333 | Global | $145.00 |
| 88333TC | Technical Only | $50.00 |
| 8833326 | Profee Only | $100.00 |
| 88334 | Global | $85.00 |
| 88334TC | Technical Only | $30.00 |
| 8833426 | Profee Only | $60.00 |
| 8834226 | Profee Only | $70.00 |
| 88346 | Global | $160.00 |
| 88346TC | Technical Only | $90.00 |
| 8834626 | Profee Only | $70.00 |
| 88347 | Global | $135.00 |
| 88347TC | Technical Only | $65.00 |
| 8834726 | Profee Only | $70.00 |
| 88348 | Global | $845.00 |
| 88348TC | Technical Only | $725.00 |
| 8834826 | Profee Only | $125.00 |
| 88349 | Global | $370.00 |

| | | |
|---|---|---|
| 88349TC | Technical Only | $305.00 |
| 8834926 | Profee Only | $65.00 |
| 88355 | Global | $595.00 |
| 88355TC | Technical Only | $450.00 |
| 8835526 | Profee Only | $150.00 |
| 88356 | Global | $490.00 |
| 88356TC | Technical Only | $245.00 |
| 8835626 | Profee Only | $245.00 |
| 88358 | Global | $120.00 |
| 88358TC | Technical Only | $45.00 |
| 8835826 | Profee Only | $80.00 |
| 88360 | Global | $190.00 |
| 88360TC | Technical Only | $100.00 |
| 8836026 | Profee Only | $90.00 |
| 88361 | Global | $265.00 |
| 88361TC | Technical Only | $170.00 |
| 8836126 | Profee Only | $100.00 |
| 88362 | Global | $445.00 |
| 88362TC | Technical Only | $270.00 |
| 8836226 | Profee Only | $180.00 |
| 88365 | Global | $220.00 |
| 88365TC | Technical Only | $125.00 |
| 8836526 | Profee Only | $95.00 |
| 88367 | Global | $360.00 |
| 88367TC | Technical Only | $260.00 |
| 8836726 | Profee Only | $105.00 |
| 88368 | Global | $280.00 |
| 88368TC | Technical Only | $165.00 |
| 8836826 | Profee Only | $115.00 |
| 8837126 | Profee Only | $30.00 |
| 8837226 | Profee Only | $30.00 |
| 88385 | Global | $675.00 |
| 88385TC | Technical Only | $555.00 |
| 8838526 | Profee Only | $120.00 |
| 88386 | Global | $690.00 |
| 88386TC | Technical Only | $545.00 |
| 8838626 | Profee Only | $150.00 |
| 89049 | Global | $95.00 |
| 8906026 | Profee Only | $30.00 |
| 89100 | Global | $55.00 |
| 89105 | Global | $45.00 |
| 89130 | Global | $40.00 |
| 89132 | Global | $20.00 |
| 89135 | Global | $70.00 |
| 89136 | Global | $25.00 |
| 89140 | Global | $75.00 |
| 89141 | Global | $70.00 |
| 89220 | Global | $30.00 |
| 89230 | Global | $10.00 |

**UCLA List of Special Stains**

**Special Stain Group I – 88312**
***Special Stains for Micro-organisms***
Acid Fast Bacteria / Ziehl-Neelson
Fite (Mycobacterium Leprosy Bacilli and Mycobacterium Avium Intracellular)
Giemsa - PAS
Gram (Brown and Brenn for gram – and gram +)
Mucicarnine (Mucin and Cryptococcus)/ Mucin Stain
Tzanck Prep (HSV)/(Varicella)
Silver's Special Stains for Micro-organisms
GMS (Grocotts Methenamine Silver, for fungus and PCP)
Modified STEINER for Spirochetes, Donovan Bodies, Legionnaires disease, cat scratch)
(STEINER stain is the same as Warthin – Starry)

**Special Stain Group II – 88313**
***Special Stains for Fibers and Granules***
Argentaffin (for granules Control Appendix) FONTANA-MASSON REACTION
Agyrophil granules GRIMELIUS STAIN
Bleach for Melanin
Gomori Methenamine silver for Urates Crystals
Jones's Method for Kidney
Luxol Fast Blue (Same as Kluver and Barrera neuron Stain for neuron fibers)
PTAH (Neurofibers, striations of muscle, epithelioglial, fibers and fibrin)
Reticulum
Von Kossa (for Calcium)

***Other Group II***
Acridin Orange (RNA, DNA, Fungi)
Alcian Blue (Mucous Substances)
Belschowsky
Bile
Colloidal Iron (Acid mucosubstances and mucins)
Congo Red (Amyloid)
Copper (Rhodanine Method)
Crystal Violet (Metachromatic stain for amyloid)
EMT
EVG (Elastic Van Gieson's Method)
Feulgen (DNA)
Genta
Hyaluronidase/ Alcian Blue (Enzyme)
Iron (Prussian Blue)
Methyl Green Pyronine (MGP) DNA, RNA
PAS-Orange G (Technique for Pituitary)
PAS s (Periodic Acid Schiff's Reaction)
PAS c (Diastase)
Trichrome Masson
Toluidine Blue (metachromatic stain)
Wright Stain

# UCLA CHS IMMUNOHISTOCHEMISTRY MARKERS
# CPT CODE: 88342

**Epithelial Markers**
- Pankeratin
- Low MW Keratin (CAM52)
- High MW Keratin (Ker904)
- Keratin 7
- Keratin 19
- Keratin 20
- B72.3
- CA19 9
- CA125
- CD15(Leu M1)
- CEA (polyclonal)
- CEA (monoclonal)
- Epithelial Membrane Antigen (EMA)
- GCDFP15 (FP15)
- Milk Fat Globulin
- MUC1

**Neuroendocrine Markers**
- Chromogranin A (CG)
- Neurone Specific Enolase (NSE)
- Synaptophysin

**Prostatic Markers**
- PAP
- PSA
- Keratin 903

**Melanoma Markers**
- HMB45
- Mart1
- S100

**Mesenchymal Tumor Markers**
- CD31
- CD34
- Desmin
- GFAP
- Factor VIII-related Ag
- Muscle-Specific Actin (MSA, HHF35)
- Myoglobulin
- Smooth Muscle Actin, alpha (SMA)
- Neurofilaments
- S100
- Vimentin

**Microorganisms**
- Adenovirus
- CMV
- EBV, LMP
- EBV, EBER (ISH)
- Helicobacter Pylori
- Herpes Simplex I,II
- Hep B Core Antigen
- Hep B Surface Antigen
- HHV8
- HPV 6/11, 16/18, 31/33/51 (ISH)
- SV40
- Toxoplasma gondii

**Endocrine Markers**
- ACTH
- Calcitonin
- Gastrin
- Glucagon
- HCG
- Insulin
- Pancreatic Polypeptide
- Parathyroid Hormone
- Prolactin
- Serotonin
- Somatostatin
- Thyroglobulin
- Vasoactiveintestinal Polypeptide

**Other Markers**
- Alpha-1-Antitrypsin
- Alpha-1-Antichymotrypsin
- AlphaFetoProtein
- Blood Group ABH
- Cairetnin
- Calponin
- CerbB2/Her2
- cKit (CD117)
- Ecadherin
- EGFR
- ER/PgR Receptors
- Inhibin
- KI67 (MIB1) Proliferative Index
- Laminin
- P27
- P53 Wildtype & Mutant
- Placent Lactogen
- K13/CD99 (Ewings,PNET,LBL)
- Trypsin/Trypsinogen
- TTF1
- Ubiquitin

**Breast Prognostic Markers**
- Estrogen Receptors
- Progesterone Receptors
- p53 Wildtype & Mutant
- Cerb B2/Her2

**Others**
- p16
- CA9

**Lymphoid Markers (Paraffin)**
- CD45 Common Leukocyte

**B-Cell Markers**
- Kappa/Lambda Light Chains
- IgG Heavy Chains
- IgM Heavy Chains
- IgA Heavy Chains
- CD20, Pan B
- CD23
- CD79a
- TCL1

**T-Cell Markers**
- CD2
- CD3
- CD4
- CD5
- CD7
- CD8
- CD43
- CD45RO (UCHL1)
- Beta F1 TOR
- Granzyme B
- TIA1

**Other Hemaopoietic Markers**
- ALK
- bcl1
- bcl2
- BCL6
- CD1a
- CD10 CALLA
- CD15 (Leu M10
- CD21 Dendritic Cell
- CD30 (BerH2)
- CD34
- CD57
- CD68 (PGM1)
- DBA44 Hairy Cell Leukemia
- Fascin
- Lysozyme
- Mast Cell Tryptase
- Myeloperoxidase
- PBO
- Plasma Cell Antigen (PCA)
- TdT

**Lymphoid Markers (Frozen)**
- Routine B & T Panel (K, L, CD20 CD23, bcl2, DRC, CD3, CD5, CD10)
- B & Expanded T-Cell Panel
- T Cell Panel (CD20, 2, 3, 4, 5, 7, 8, 25)

AstraZeneca

**AstraZeneca Pharmaceuticals LP**
**Reimbursement Agreement**
**Seroquel® (quetiapine fumarate)**

**Agreement #: 100015882**

This Reimbursement Agreement (Agreement) is by and between AstraZeneca Pharmaceuticals LP, ("AstraZeneca"), a Delaware corporation having a place of business at 1800 Concord Pike, Wilmington, DE 19803, and the undersigned non-profit entity **Los Angeles County Department of Mental Health**, having an address of 550 South Vermont Avenue, 9th Floor, Los Angeles, CA 90020, (hereinafter referred to as "LACMH"), and hereby sets forth the terms and conditions governing the payment of Reimbursements by AstraZeneca to LACMH for SEROQUEL.

IN CONSIDERATION of the mutual promises and covenants set forth herein and other good and valuable consideration, the parties hereto, each intending to be legally bound, agree as follows

**DEFINITIONS:**

**Atypical Antipsychotic** shall mean SEROQUEL, ABILIFY™ (aripiprazole), GEODON® (ziprasidone), RISPERDAL® (risperidone), ZYPREXA® (olanzapine), ZYPREXA ZYDIS® (olanzapine) Orally Disintegrating Tablets, and any other product with the same or similar pharmacologic properties or mechanism of action to SEROQUEL entering the market after October 1, 2004 during the Contract Period.

**Data** shall mean the drug dispensed data or purchased data required to be reported as set forth on Schedule B of this Agreement.

**Formulary/Preferred Drug List** shall mean an electronic or written document listing various pharmaceutical products that have been adopted by LACMH and is provided to Participating Clinics, physicians or other health care providers by LACMH for the purposes of guiding the prescribing and dispensing of pharmaceutical products.

**Internal SEROQUEL Market Share** shall mean, with respect to any calendar quarter, the total number of units of SEROQUEL purchased by Participating Clinics, divided by the total number of Atypical Antipsychotic units purchased by Participating Clinics, in each case during such calendar quarter. Internal SEROQUEL Market Share shall be determined by AstraZeneca, shall be expressed as a percentage and will be calculated in aggregate for LACMH.

**Participating Clinic** shall mean an entity: (i) which is owned by or under contract with LACMH; (ii) dispenses prescription drugs solely to LACMH facilities; (iii) which is properly licensed to dispense prescription drugs; (iv) are located, licensed and registered within the United States of America, and (v) is not covered (directly or indirectly) by another agreement with AstraZeneca for Reimbursement. Participating Clinics are listed on Schedule D to this Agreement.

**Products** shall mean the pharmaceutical products manufactured or marketed by AstraZeneca, and which are dispensed by Participating Clinics and reimbursed by LACMH to Participating Clinics.

**Reimbursements** shall mean all discounts, rebates or other reimbursements (collectively, "Reimbursements") provided to LACMH for Participating Clinics by AstraZeneca for those pharmaceutical products manufactured or marketed by AstraZeneca ("Products"). All Reimbursements will be determined in accordance with the terms and conditions contained in this Agreement.

**Restrictions** shall be defined as, but not limited to, prior authorization, prerequisite therapy requirement, limit to duration of use of SEROQUEL, specialty referral limitations, telephone or written communication to physician providers or pharmacies that would adversely effect the utilization of SEROQUEL.

**Total Utilization** shall mean the number of tablets of SEROQUEL dispensed in aggregate for LACMH for each NDC number during a calendar quarter as reported to AstraZeneca or its designated agent. Total Utilization excludes utilization for programs or entities for which LACMH provides only claims processing services; or for which members are required to pay 100% of the cost of the prescription drugs dispensed by LACMH, without subsequent reimbursement of a substantial portion of the cost; or if LACMH is not in compliance with the formulary requirements of this Agreement.

**Wholesale Acquisition Cost** ("WAC") shall mean the lowest published price AstraZeneca charges its authorized wholesalers during a calendar quarter for each tablet of each NDC number of SEROQUEL exclusive of wholesaler charges and markups and shall be determined by AstraZeneca in its sole discretion.

1. **COMPLIANCE WITH LAWS.**

   a. Under this Agreement, LACMH will be receiving Reimbursements in respect of the price of product purchased under this Agreement. The dollar value of the Discounts or any other reductions in price pursuant to this Agreement, are "discounts and other reductions in price" under Section 1128B(b)(3)(A) of the Social Security Act (42 U.S.C. 1320-a-7b(b)(3)(A)). LACMH warrants, certifies and agrees that it shall fully and accurately report these discounts and other reductions in price to the extent required by and in strict accordance with Section 1128B(b)(3)(C) of the Social Security Act (42 U.S.C. 1320a-7b(b)(3)(C)). LACMH shall comply in all respects with the applicable implementing regulations contained in 42 C.F.R. § 1001.952(h). LACMH agrees that it is aware of its responsibility to fully and accurately disclose the Discounts or other reductions in price under this Agreement to the extent required by the Discount Safe Harbor, 42 C.F.R. § 1001.952(h), and warrants and represents that it shall do so in strict compliance with applicable law. The parties hereto agree that pursuant to 42 C.F.R. §1001.952, AstraZeneca has informed LACMH of its federal statutory and regulatory reporting obligations.

   b. All billing practices of LACMH, including those with respect to all third party payors, including, if applicable, Medicaid and Medicare and private insurance companies, are in compliance with all applicable laws, regulations and policies of such third party payors in all material respects. It is the sole responsibility of LACMH to accurately report any payments made to it or discounts offered under this Agreement to federal, state and private reimbursers (including Medicare and Medicaid) if and as required by applicable law.

   c. At no time shall the cumulative Reimbursements and other reductions in price offered by AstraZeneca under this or any Agreement exceed the then established floor for rebates and discounts mandated by the Omnibus Budget Reconciliation Act of 1990 ("OBRA 1990"), as amended from time to time. The Discount amounts set forth in this Agreement may be subject to change by AstraZeneca in the event they could render AstraZeneca liable for

rebate and discount amounts higher than the then established floor under OBRA 1990. AstraZeneca reserves the right to change the rebate & discount amounts only to the extent necessary to maintain these amounts at said floor established under OBRA1990.

2. **REPRESENTATIONS AND WARRANTIES OF LACMH**. LACMH hereby represents and warrants to AstraZeneca that:

a. Any Products purchased hereunder by LACMH will be solely for the "own use" of LACMH or the "own use" of LACMH' participating pharmacies authorized to purchase Products under this Agreement ("Participating Pharmacies"). The term "own use" is as defined and understood in Abbott Laboratories v. Portland Retail Druggist Association, Inc, 425 U.S. 1 (1976). LACMH and Participating Clinics expressly understand and agree that they are prohibited from reselling, redistributing Products or grouping other clinics' pharmacies' or businesses' orders hereunder. AstraZeneca reserves the right to remove from this Agreement any Participating Clinic that is not in compliance with this provision, or to terminate this Agreement in the event that LACMH or any Participating Clinic does not comply wit the terms of this provision.

b. Entry by LACMH into this Agreement and its performance hereunder does not and will not conflict with or violate any federal, state, or local laws, rules or regulations or any agreements or obligations that LACMH has with any third party.

c. LACMH represents and warrants to AstraZeneca that the Participating Clinics have agreed not to participate in, and, to the best of LACMH's knowledge, none of the Participating Clinics is a party to, any Reimbursement agreement with AstraZeneca or otherwise entitled, directly or indirectly (except through LACMH) to any Reimbursement from AstraZeneca with respect to the Products.

d. LACMH represents and warrants to AstraZeneca that it shall follow all applicable federal or state laws, rules or regulations regarding disclosure to patients of the financial interest of LACMH in any Reimbursement programs for any Products covered hereby. LACMH agrees that it shall not report utilization for or claim any Reimbursement for Products dispensed in a jurisdiction where the payment of such Reimbursement or participation in any other incentives offered by AstraZeneca pursuant to a Product Schedule(s) would violate any federal or state law, rule or regulation.

3. **CONFIDENTIALITY**. LACMH shall maintain in confidence the existence and the terms of this Agreement, and all clinical/technical data, marketing and sales information and all other information of a proprietary or confidential nature disclosed by AstraZeneca to LACMH during the Term of this Agreement and for a period of three (3) years thereafter. LACMH shall not use or disclose such information to any third party without AstraZeneca's prior written consent, except for information that enters the public domain by reason other than breach of this Agreement by LACMH or information that is independently known or readily available to LACMH or the general public at the time of disclosure by LACMH, and except as may be required by law.

4. **RECORDS AND AUDITS BY ASTRAZENECA** During the term of this Agreement and for a period of two (2) years following expiration or termination of this Agreement, LACMH shall at all times keep or maintain accurate books, records and files relating to all prescription transactions and other activities of LACMH in respect of this Agreement, including, without limitation, data in respect of the dispensing and sale of Products (collectively, the "Records"). Upon reasonable prior notice from AstraZeneca, LACMH shall permit AstraZeneca or its designated agent to conduct annual audits of records relating to LACMH'

purchases under this Agreement and to confirm LACMH' compliance with this Agreement. AstraZeneca reserves the right to withhold Discounts that may be due to LACMH under this Agreement in the event LACMH does not reasonably comply with AstraZeneca's audit requests. Any audit of Records shall be done subject to the provisions of Section 7 hereof, and in full compliance with applicable state and federal laws, rules and regulations regarding privacy and confidentiality. The records shall be made available at LACMH' principal office or other mutually agreed upon location for inspection by AstraZeneca or its agents during regular business hours. If a third party maintains or keeps the records for all or part of LACMH, then AstraZeneca shall be entitled to audit such third party's records under the same terms as above written. The obligations of this Section shall survive termination of this Agreement for a period of two (2) years.

5. **HIPAA.** LACMH agrees to comply with the applicable provisions of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and the requirements of any regulations promulgated thereunder including without limitation the federal privacy regulations as contained in 45 CFR Parts 160 and 164 (the "Federal Privacy Regulations"). LACMH agrees not to disclose any protected health information as defined in 45 CFR 164.501 ("Protected Health Information") to AstraZeneca, and LACMH will implement appropriate safeguards to accomplish this objective. LACMH represents and warrants to AstraZeneca that any Protected Health Information it has received has been obtained pursuant to an appropriate signed authorization for the use planned under this Agreement. LACMH will promptly report to AstraZeneca any disclosure of Protected Health Information to AstraZeneca of which LACMH becomes aware. In the event LACMH, with AstraZeneca's approval, contracts with an agent to whom LACMH provides Protected Health Information and such agent will interact with AstraZeneca, LACMH shall include provisions in such agreement whereby LACMH and its agent agree to the same restrictions and conditions that apply to LACMH with respect to prohibiting the disclosure of Protected Health Information to AstraZeneca.

6. **TERMINATION.**

a. Either party to this Agreement may terminate this Agreement at any time by giving thirty (30) days prior written notice to the other party. No termination of this Agreement shall affect the rights and obligations of the parties accruing prior to such termination.

b. In the event that a party materially breaches the terms of this Agreement, the other party may terminate this Agreement on thirty (30) days prior written notice to the defaulting party, provided that the defaulting party has not cured the default within such thirty (30) day period.

c. A party may terminate this Agreement immediately in the event the other party makes an assignment for the benefit of creditors, files a petition in bankruptcy, is adjudicated insolvent or bankrupt, or if a receiver or trustee is appointed with respect to a substantial part of a party's property, or a proceeding is commenced against it which will substantially impair its ability to perform hereunder. The other party (to the extent it may lawfully do so) shall not at any time insist upon, plead, or in any manner claim or take advantage of any stay or extension law that may affect the performance of this Agreement and hereby expressly waives all benefit or advantage of any such law.

d. AstraZeneca may terminate this Agreement immediately if any change of law or regulation, or interpretation of existing law or regulation would (i) make this Agreement, or a material portion of a party's performance under this Agreement illegal, (ii) prohibit or eliminate or require a material change to any discounts offered hereunder or (iii) require that any material terms of this Agreement be extended to any nonparty.

10. **PRODUCT DISCONTINUATION**. Nothing in this Agreement shall be construed to limit or restrict AstraZeneca's right, in its sole discretion, to discontinue the manufacture, sale or distribution of any AstraZeneca Product or its right or obligation to recall any Product at any time.

11. **CHOICE OF LAW**. This Agreement shall be construed and interpreted in accordance with the laws of the State of Delaware, without regard to its choice of laws provisions.

12. **RETURN OF PRODUCT**. Returns of Product purchased under this Agreement will only be permitted if done in accordance with AstraZeneca's Returned Goods Policy as set forth in Schedule B which is attached hereto and made a part hereof.

13. **WARRANTY**. AstraZeneca warrants to LACMH only that Products, when shipped by AstraZeneca FOB AstraZeneca' s facility, are not adulterated or misbranded within the meaning of the Federal Food, Drug and Cosmetic Act of 1938, as amended (the "Federal Act"). THIS WARRANTY IS IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, AND ASTRAZENECA EXPRESSLY DISCLAIMS ANY AND ALL OTHER WARRANTIES, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE. AstraZeneca shall not be liable for any indirect, special, consequential or punitive damages, even if advised of the possibility of such damages.

14. **BASE REBATE FOR SEROQUEL.** Subject to the terms and conditions of the Agreement, AstraZeneca shall pay LACMH a base rebate ("Base Rebate") with respect to Total Utilization of each NDC of SEROQUEL by LACMH during each calendar quarter of the Contract Period. The Base Rebate shall be calculated in an amount equal to (a) the rebate percentage, if any, set forth under "Base Rebate" on Schedule A, multiplied by (c) Total Utilization for such NDC of SEROQUEL for LACMH, less Clinic Transaction Reversals, during such calendar quarter.

15. **PERFORMANCE REBATE FOR SEROQUEL.** Subject to the terms and conditions stated herein, AstraZeneca will pay LACMH the performance rebate ("Performance Rebate") as set forth on Schedule A, if LACMH maintain SEROQUEL on its formulary(ies) throughout the Contract Period with no Restrictions. The Performance Rebate will be calculated by multiplying the applicable percentage levels as set forth above or on Schedule A, by the applicable WAC per tablet in effect for the calendar quarter in which SEROQUEL was dispensed (subject to Section 2 below), multiplied by LACMH's Total Utilization for SEROQUEL, less clinic transaction reversals. The Performance Rebates will be calculated separately for each Individual Member Health Plan.

16. **CONTRACT PERIOD.** This Product Schedule shall be effective the October 1, 2004 (the "Effective Date"), and shall continue in effect for a period of two (2) years from the first day of the calendar quarter in which the Effective Date falls (the "Initial Term") unless earlier terminated as herein provided. This Agreement will automatically renew for consecutive additional one (1) year terms (the "Renewal Term") unless either party gives the other party a thirty (30) day prior written notice before the end of the Initial Term or any Renewal Term that it desires to terminate this Agreement effective at the end of the then-current term. (the "Effective Date"), and shall continue for a period of two (2) years.

17. **OFFER.** This Agreement shall not be effective unless executed within thirty (30) days from the Offer Date set forth below.

18. **INDEPENDENT P&T PROCESS**. LACMH represents and warrants that all decisions by LACMH 's Pharmacy and Therapeutics Committee (P&T) have been made on the basis of an independent evaluation and that nothing in this Agreement interferes with or is inconsistent with the integrity of said P&T process.

19. **DATA REPORTING**. LACMH shall transmit Data to AstraZeneca or its designated agent for each Product covered by the Agreement within sixty (60) days after the end of each calendar quarter. Data shall be submitted for all Products dispensed by Participating Clinics during the reporting period consistent with the terms and conditions of this Agreement. All Data that LACMH submits must include the requisite DEA Pharmacy Identification Number ("DEA #"). In addition, all Data submitted by LACMH to AstraZeneca must include the appropriate AstraZeneca 11 digit National Drug Code ("NDC") for the applicable AstraZeneca product.

20. **PAYMENTS**

(a) Reimbursements under this Agreement shall be paid to LACMH on a calendar quarter basis, unless otherwise set forth herein, within sixty (60) days after AstraZeneca's receipt of acceptable Data submitted electronically by LACMH as set forth on Schedule B, and all supporting calculations showing the amount of the Reimbursements claimed by LACMH ("Claim"). AstraZeneca shall pay reimbursements to LACMH within ninety (90) days after receipt of acceptable Data. In the event AstraZeneca disputes all or part of any payment, AstraZeneca shall pay the undisputed portion and shall notify LACMH as to the reasons for the dispute.

(b) Any payments owed to AstraZeneca by LACMH due to Participating Clinic duplication (i.e., the member or entity already receives a Reimbursement), invalid data, products not covered by this Agreement or other inaccurate data submission made by either party to this Agreement shall either be reimbursed to AstraZeneca within thirty (30) days after notice or applied to future Claims upon mutual agreement of the parties.

(c) LACMH shall not be entitled to any Reimbursements based on Data submitted to AstraZeneca later than one hundred eighty (180) days following the end of the quarter in which such utilization occurs.

21. **DISPUTE RESOLUTION**. The parties agree that they will use reasonable efforts to resolve any dispute that may arise in an amicable fashion. If the parties are unable to resolve such dispute within thirty (30) days after initial notice, either party may, by notice to the other, have such dispute referred to a senior officer of each party. Such officers shall attempt to resolve the dispute by good faith negotiation within thirty (30) days after receipt of such notice. If the designated officers are not able to resolve such dispute within such thirty (30) day period, then the parties shall select a mediator to aid them in the dispute. If the parties cannot agree on a mediator, a mediator will be designated by the American Arbitration Association at the request of a party. Any mediator so designated must be acceptable to both parties. The mediation will be conducted as specified by the mediator and agreed upon by the parties. The parties agree to discuss their differences in good faith and to attempt, with the assistance of the mediator, to reach an amicable resolution of the dispute. The mediation will be treated as a settlement discussion and therefore will be confidential. The mediator may not testify for either party in any later proceeding relating to the dispute. No recording or transcript shall be made of the mediation proceedings. Each party will bear its own costs in the mediation. The parties will share the fees and expenses of the mediator equally.

22. **HEADINGS**. The descriptive headings of the sections and paragraphs of this Agreement are inserted for convenience of reference only and shall not affect the meaning or construction of any section, paragraph, or provision of this Agreement.

23. **ASSIGNMENT**. LACMH shall not have the right to assign this Agreement to a third party without the prior written consent of AstraZeneca. No assignment, transfer or delegation, whether by merger or other operation of law, change of control or otherwise, of any rights or obligations under this Agreement by LACMH shall be made without the prior written consent of AstraZeneca. Any permitted assignee shall assume all obligations of its assignor under this Agreement. No assignment shall relieve a party of responsibility for the performance of any obligations that have already accrued. This Agreement shall inure to the benefit of and be binding upon each party, its respective successor and permitted assigns. AstraZeneca shall have the right to assign or otherwise transfer this Agreement to its parent company(ies), subsidiaries or affiliated companies, or to any successor in interest in any manner to all or substantially all of the business to which this Agreement relates.

24. **FORCE MAJEURE**. Noncompliance with obligations to perform under this Agreement due to force majeure, such as acts of God, acts of governmental authority and/or regulatory authorities, war, civil commotion, terrorist acts, destruction of product facilities and materials, fire earthquake or storm, labor disturbances, shortages of materials, product shortage or entire lack of product availability, failure of public utilities or common carriers, and any other causes, circumstances or contingencies beyond the reasonable control of the parties, shall not constitute a breach of this Agreement. In the event that either party ceases to perform its obligations under this Agreement due to the occurrence of a Force Majeure Event, such party shall: (1) immediately notify the other party in writing of such Force Majeure Event and its expected duration; (2) take all reasonable steps to recommence performance of its obligations under this Agreement as soon as possible. If the performance of any obligation under this Agreement is delayed owing to a Force Majeure for any continuous period of more than six (6) months, the parties hereto shall consult with respect to an equitable solution, including the possible termination of this Agreement.

25. **LIST OF PARTICIPATING CLINICS**. LACMH agrees that it shall maintain and furnish to AstraZeneca, upon AstraZeneca's request, a then-current list of all Participating Clinics and will also make available to AstraZeneca information obtained from Participating Clinics in a form which does not violate any federal or state law, rule or regulation regarding patient confidentiality, as a result of audits performed by LACMH to ensure that actual dispensing of Products matches the Data reported by LACMH to AstraZeneca.

26. **INDEPENDENT CONTRACTORS**. The parties to this Agreement are independent contractors, and nothing herein shall be construed to the contrary. LACMH shall not assume or create any obligations or responsibilities, express or implied, on behalf of or in the name of AstraZeneca, or bind AstraZeneca in any manner or thing whatsoever.

27. **WAIVER**. No waiver by either LACMH or AstraZeneca with respect to any breach or default or of any right or remedy, and no course of dealing, shall be deemed to constitute a continuing waiver of any other breach or default or of any other right or remedy, including a party's rights to demand strict compliance with all provisions of this Agreement, unless such waiver is expressed in writing signed by the party to be bound.

28. **USE OF NAMES**. Neither party may use any trade name, trademark or other designation of the other party for any advertising, publicity, marketing or other activities unless approved in writing by the other party prior to such use or publication.

29. **ENTIRE AGREEMENT**. This Agreement together with any Exhibits and/or Schedules attached hereto constitutes the entire understanding and agreement between the parties relating to the subject matter hereof and this Agreement supersedes all prior negotiations, agreements and understandings between the parties, whether oral or in writing, concerning the Products which are the subject matter hereof. This Agreement shall not be valid and binding unless and until it has been signed by an authorized representative of AstraZeneca.

30. **AMENDMENT**. The terms and conditions of this Agreement may only be modified or amended in a subsequent writing signed by both parties. This Agreement shall not be contravened or deemed modified or amended by any terms contained in any purchase order, confirmation or acknowledgment of LACMH containing other or different terms, whether or not signed by the parties hereto.

31. **PRICE REPRESENTATION.** LACMH represents that the effective prices offered for SEROQUEL herein are competitive with prices offered by other pharmaceutical companies for Atypical Antipsychotics, and that unless such prices are offered by AstraZeneca, SEROQUEL will not be included on any of LACMH's formularies.

**ACCEPTED AND AGREED TO:**

**AstraZeneca Pharmaceuticals LP**

By: TPB

Name: Thomas P. Burke

Title: Authorized Representative, AZPLP

Date: 12-29-2004

**LACMH**

By:

Name: Rodrick Shanks, MD

Title: Medical Director

Date: November 18, 2004

Return this Agreement to:

AstraZeneca
1800 Concord Pike, Rollins Building
Wilmington, DE 19803
ATTN: Patrick R. Murphy
Contract Operations
RL4-411

Offer Date: October 27, 2004

AstraZeneca Pharmaceuticals LP
Reimbursement Agreement
Seroquel® (quetiapine fumarate)

## Schedule A
## Base & Performance
## Rebate Percentages

| Base Rebate | Base Rebate % |
|---|---|
| | 3% |

| Internal SEROQUEL Market Share | Performance Rebate % |
|---|---|
| ≥ 35% | 3% |
| ≥ 40% | 6% |
| ≥ 45% | 9% |
| ≥ 50% | 12% |

# AstraZeneca Pharmaceuticals LP
# Reimbursement Agreement
# Seroquel® (quetiapine fumarate)

## Schedule B
## Data Requirements

The spreadsheet must include a heading row which includes ALL COLUMN NAMES listed below.
For each detail row, include ALL COLUMNS, even if all columns are not populated.
The spreadsheet must not contain any blank rows, page numbers, notes, or any other extraneous informatio

| Column Order | Column Name | Data Type | Maximum Field Length | Comments | Required by AstraZeneca |
|---|---|---|---|---|---|
| 1 | Contract | AN | 10 | Contract Number on Legal Document | Yes |
| 2 | Product Group | AN | 9 | "AA", "ACE", "CCB", "CYTO", "LHRH", "LRA", "MIG", "PSY" **See Note (1) below** | Yes |
| 3 | Period Start Date | DATE | 8 | Rebate Period Start Date CCYYMMDD **See Note (2) below** | Yes |
| 4 | Period End Date | DATE | 8 | Rebate Period End Date CCYYMMDD | Yes |
| 5 | NDC | N | 11 | 11 digit NDC 9 digit is ok for competitor | Yes |
| 6 | Quantity | N | 8 | Number of tablets (Units) | Yes |
| 7 | Pharmacy ID | AN | 9 | DEA # | Yes |
| 8 | Pharmacy Name | AN | 30 | Pharmacy Name | Yes |
| 9 | Pharmacy City | AN | 25 | Pharmacy City | Yes |
| 10 | Pharmacy State | AN | 2 | Pharmacy State | Yes |
| 11 | Pharmacy Zip Code | AN | 9 | Pharmacy Zip Code | Yes |

N/A TPB

**Note (1):** "ARB" = ATACAND & Market Basket Competition
"LRA" = ACCOLATE & Market Basket Competition
"PSY" = SEROQUEL & Market Basket Competition
"NEX" = NEXIUM & Market Basket Competition

**Note (2):** Provide Start and End Date for the Quarter

AstraZeneca Pharmaceuticals LP
Reimbursement Agreement
Product Schedule
SEROQUEL® (quetiapine fumarate)
Schedule C

Products

| NDC | PRODUCT DESCRIPTION | UNITS DISPENSED | # OF SCRIPTS |
|---|---|---|---|
| 00310-0275-10 | SEROQUEL 25 mg | | |
| 00310-0275-39 | SEROQUEL 25 mg | | |
| 00310-0271-10 | SEROQUEL 100 mg | | |
| 00310-0271-39 | SEROQUEL 100 mg | | |
| 00310-0272-10 | SEROQUEL 200 mg | | |
| 00310-0272-39 | SEROQUEL 200 mg | | |
| 00310-0274-39 | SEROQUEL 300 mg | | |
| 00310-0274-60 | SEROQUEL 300 mg | | |
| | Total SEROQUEL | | |

Atypical Antipsychotics*

| NDC | PRODUCT DESCRIPTION | UNITS DISPENSED | # OF SCRIPTS |
|---|---|---|---|
| 00310-0275-10 | SEROQUEL 25 mg | | |
| 00310-0275-39 | SEROQUEL 25 mg | | |
| 00310-0271-10 | SEROQUEL 100 mg | | |
| 00310-0271-39 | SEROQUEL 100 mg | | |
| 00310-0272-10 | SEROQUEL 200 mg | | |
| 00310-0272-39 | SEROQUEL 200 mg | | |
| 00310-0274-39 | SEROQUEL 300 mg | | |
| 00310-0274-60 | SEROQUEL 300 mg | | |
| 59148-0008 | ABILIFY 10 mg | | |
| 59148-0009 | ABILIFY 15 mg | | |
| 59148-0010 | ABILIFY 20 mg | | |
| 59148-0011 | ABILIFY 30 mg | | |
| 00049-3960 | GEODON 20 mg | | |
| 00049-3970 | GEODON 40 mg | | |
| 00049-3980 | GEODON 60 mg | | |
| 00049-3990 | GEODON 80 mg | | |
| 50458-0301 | RISPERDAL 0.25 mg | | |
| 50458-0302 | RISPERDAL 0.5 mg | | |
| 50458-0300 | RISPERDAL 1 mg | | |
| 50458-0320 | RISPERDAL 2 mg | | |
| 50458-0330 | RISPERDAL 3 mg | | |
| 50458-0350 | RISPERDAL 4 mg | | |
| 00002-4112 | ZYPREXA 2.5 mg | | |
| 00002-4115 | ZYPREXA 5 mg | | |
| 00002-4116 | ZYPREXA 7.5 mg | | |
| 00002-4117 | ZYPREXA 10 mg | | |
| 00002-4415 | ZYPREXA 15 mg | | |
| 00002-4420 | ZYPREXA 20 mg | | |
| 00002-4453 | ZYPREXA ZYDIS 5 mg | | |
| 00002-4454 | ZYPREXA ZYDIS 10 mg | | |
| 00002-4455 | ZYPREXA ZYDIS 15 mg | | |
| 00002-4456 | ZYPREXA ZYDIS 20 mg | | |

*Not to exclude new product entrants into the market.

AstraZeneca Pharmaceuticals LP
Reimbursement Agreement
Product Schedule
SEROQUEL® (quetiapine fumarate)

## Schedule D
## Participating Clinics

Upon execution of the Product Schedule, please list below or attach a list of Participating Clinics as of the Effective Date. This Schedule D shall be updated quarterly and included with data submission.

AstraZeneca

**FIRST AMENDMENT TO THE**
**Seroquel® (quetiapine fumarate)**
**REIMBURSEMENT AGREEMENT**
**BETWEEN**
**LOS ANGELES COUNTY DEPARTMENT OF MENTAL HEALTH**
**AND**
**ASTRAZENECA PHARMACEUTICALS LP**

This Amendment (the "First Amendment to the SEROQUEL Reimbursement Agreement") modifies the Reimbursement Agreement with an Effective Date of October 1, 2004, between Los Angeles County Department of Mental Health ("LACMH") and AstraZeneca Pharmaceuticals LP ("AstraZeneca"), which sets forth the terms and conditions governing the payment of Reimbursements by AstraZeneca to LACMH, for SEROQUEL as follows:

1. The Definition for Atypical Antipsychotic shall be deleted in its entirety and replaced as follows:

   Atypical Antipsychotic shall mean SEROQUEL, Abilify® (aripiprazole), Abilify® Discmelt™ (aripiprazole) Orally Disintegrating Tablet, Geodon® (ziprasidone HCl), Risperdal® (risperidone), Risperdal® M-Tab™ (risperidone), Symbyax® (olanzapine and fluoxetine HCl), Zyprexa® (olanzapine), Zyprexa Zydis® (olanzapine) Orally Disintegrating Tablets, and any other product, including generics, with the same or similar pharmacologic properties or mechanisms of action to SEROQUEL entering the market after October 1, 2001 during the Contract Period.

2. The Definition for Internal SEROQUEL Market Share shall be deleted in its entirety and replaced as follows:

   Internal SEROQUEL Market Share shall mean, with respect to any calendar quarter, the total number of units of SEROQUEL dispensed by Participating Clinics, divided by the total number of Atypical Antipsychotic units dispensed by Participating Clinics, in each case during such calendar quarter. Internal SEROQUEL Market Share shall be determined by AstraZeneca, shall be expressed as a percentage, and will be calculated in aggregate for LACMH.

3. The Definition for Clinic Transaction Reversals shall hereby be added in its entirety as follows:

   Clinic Transaction Reversals shall mean, with respect to any calendar quarter, any prescriptions of which patients have not taken possession and any prescriptions which were reversed due to errors that were made by the pharmacy when filling, dispensing or adjudicating a prescription for SEROQUEL.

4. The Definition for No Prior Authorization shall hereby be added in its entirety as follows:

   No Prior Authorization shall mean that, except for actions taken for reasons of clinical appropriateness or Member safety, neither LACMH nor the Participating Clinics subjects SEROQUEL to prior authorization.

5. Section 1, Compliance with Laws, shall be deleted in its entirety and replaced as follows:

   1.1 Compliance with Social Security Act

   a. Except as expressly provided herein, LACMH shall not request any Reimbursements or other reductions in Product price from AstraZeneca for Products for which payments may be made in whole or in part under (i) a federal health care program as defined in the Social Security Act, as amended (42 U.S. §301, et seq.), Section 1128B(f) (42 U.S.C. § 1320a-7b(f)), including any state health care program as defined in the Social Security Act, Section 1128(h) (42 U.S.C. § 1320a-7(h)), or (ii) a federal or state public assistance program. It is the sole responsibility of LACMH and LACMH Participating Clinic to accurately report any payments made to it or discounts offered under this Agreement to federal, state and private reimbursers (including Medicare and Medicaid) if and as required by applicable law.

   b. LACMH agrees, warrants and certifies that in performance of this Agreement it will, to the extent applicable, fully comply with the provisions of the Social Security Act, 1128B(b) (42 U.S.C. § 1320a-7b(b)) which, inter alia, prohibit the knowing or willful offer, solicitation or receipt of any remuneration, directly or indirectly, in return for purchasing or recommending purchasing any goods, services, or items for which payment may be made in whole or in part under a federal or state healthcare program, which include the full, accurate and timely reporting, where applicable, of any reimbursement made pursuant to a federal or state healthcare program. The parties hereto agree that pursuant to 42 C.F.R. §1001.952, AstraZeneca has informed LACMH of its federal statutory and regulatory reporting obligations.

   c. LACMH shall follow and shall instruct its Participating Clinics to follow all applicable federal or state laws, rules or regulations applicable to LACMH and/or Participating Clinics regarding disclosure to such Participating Clinics of the financial interest of LACMH and/or Participating Clinics in any reimbursement programs for any Products covered hereby.

1.2 Compliance with Laws

In the performance of its duties and obligations under this Agreement, LACMH and AstraZeneca shall each at all times comply with all applicable federal, state and local laws, statutes, regulations, rules, orders and ordinances now in effect or as hereafter enacted, amended or promulgated as they pertain to the sale and purchase of Products contemplated hereunder, including the terms of the Prescription Drug Marketing Act of 1987 (21 U.S.C. 353 et seq.), any regulations thereunder, and any amendments thereto.

1.3 Disclosure to Participating Clinics

AstraZeneca acknowledges that LACMH may allocate to Participating Clinics some or all of the total Reimbursements payable to it under the Agreement upon agreement with an Participating Clinic and that any such allocation shall be at the sole discretion of LACMH. However, LACMH agrees that to the extent required by law it will disclose to Participating Clinics any Reimbursements payable hereunder, as required pursuant to this Section.

6. Section 2, Representations and Warranties of LACMH, Paragraph a, shall be deleted in its entirety and replaced as follows:

By entering into this Agreement, LACMH and its Participating Clinics represent and warrant that any Products purchased under this Agreement are solely for their "own use" consistent with Abbott Laboratories et.al. v. Portland Retail Druggists Association, Inc., 425 U.S. 1 (1976) and DeModena v. Kaiser Foundation Health Plan, Inc., et.al., 743 F.2d 1388 (9th Cir. 1984). LACMH and its Participating Clinics will not resell or redistribute Products to entities or persons not specifically contemplated by this Agreement except with AstraZeneca's prior written consent and shall not seek Reimbursements or other reductions in the price of the Products not specifically contemplated by this Agreement. LACMH and Participating Clinics are expressly prohibited from reselling or redistributing Products to other persons and/or entities not listed hereunder. Sales or redistribution of said Products to any other type of account shall give AstraZeneca the right, in addition to any other remedies that AstraZeneca may have, to terminate a Participating Clinic's right to receive Products under this Agreement.

7. Section 3, Confidentiality, shall be deleted in its entirety and replaced as follows:

   During the term of this Agreement and for a period of three (3) years following the date of expiration or termination of this Agreement, LACMH will keep confidential, and shall not, without the prior written approval of AstraZeneca, use for itself or others, or disclose to any third party (other than its patients or Participating Clinics who agree to maintain confidentiality), any confidential information of AstraZeneca, included but not limited to, the terms of this Agreement, and business or technical information, that is disclosed by AstraZeneca to LACMH's attention during the course of this Agreement. This obligation shall not apply to any information already known to LACMH or that is properly in the public domain, or that is required to be disclosed pursuant to an order of a court, regulatory agency or by applicable federal or state laws, rules or regulations. LACMH agrees that it shall maintain as confidential the Product pricing and Reimbursements provided for herein and further agrees that it shall not post such Product pricing and/or Reimbursements on any publicly accessible internet web site.

8. Section 4, Records and Audits by AstraZeneca, shall be deleted in its entirety and replaced as follows:

   LACMH shall permit AstraZeneca or its designated agent to conduct annual audits of records relating to LACMH, and where applicable, its Participating Clinics performance under this Agreement upon thirty (30) days written notice. During the term of this Agreement and for a period of two (2) years following expiration or termination of this Agreement, LACMH shall at all times keep or maintain and, where applicable, cause Participating Clinics to keep or maintain accurate books, records, and files relating to all transactions and other activities that form the basis of LACMH's claims under this Agreement (collectively, the "Records"). The Records shall include, but not be limited to, the data for the purchase and sale of Products, LACMH's Participating Clinics' prescription utilization, membership listings and copies of formularies. The Records shall be made available upon thirty (30) days prior written notice at LACMH's principal office or other mutually agreed upon location for inspection by AstraZeneca or its agents during regular business hours.

   If a third party maintains or keeps the Records for all or part of LACMH's claims, then AstraZeneca shall be entitled to audit such third party's Records under the same terms as above written; otherwise claims supported by such third party's Records may be disallowed. AstraZeneca reserves the right to withhold payments due to LACMH and/or Participating Clinics in the event LACMH and/or Participating Clinics does not reasonably comply with AstraZeneca's audit requests. In addition, AstraZeneca reserves the rights to (i) withhold payments due to, or recover chargebacks from, LACMH or Participating Clinics if LACMH extends Product pricing to an Participating Clinic that is not entitled to such Product pricing, and (ii) obtain a refund of any fees, rebates paid or discounts made available to LACMH or Participating Clinics to the extent that such fees, rebates or discounts are less than the price that would have been paid had LACMH or such Participating Clinic received the fees, rebates or discounts to which they were entitled under this Agreement.

Vendor and LACMH as a result of these transactions or any additional terms agreed to between LACMH and Designated Prime Vendor unless specifically included in this Agreement. AstraZeneca reserves the right to limit or terminate, without notice, the participation of any Designated Prime Vendor for violation(s) of any agreement between AstraZeneca and Designated Prime Vendor.

In those circumstances where AstraZeneca agrees to ship Products directly to LACMH or its Participating Clinic, the additional terms and conditions governing AstraZeneca's direct ship policy shall apply.

13. A new Section 9, Maximum Allowable Discounts, shall hereby be added as follows:

    At no time shall the cumulative rebates and pricing discounts offered by AstraZeneca under this or any Agreement exceed the then established floor for rebates and discounts mandated by the Omnibus Budget Reconciliation Act of 1990 ("OBRA 1990"), as amended from time to time. The rebate and discount amounts set forth in this Agreement may be subject to change by AstraZeneca in the event they could render AstraZeneca liable for rebate and discount amounts higher than the then established floor under OBRA 1990. AstraZeneca reserves the right to change the rebate and discount amounts to the extent necessary to maintain these amounts at said floor established under OBRA 1990, and to obtain a refund of any rebates or discounts paid to the extent that such rebates or discounts exceed the floor established under OBRA 1990.

14. Section 12, Return of Product, shall be deleted in its entirety and replaced as follows:

    Returns of Product purchased under this Agreement will only be accepted in accordance with AstraZeneca's Expired Return Goods Policy and Standard Claims Management/Return Goods Process Policy which are attached hereto as Schedule E and Schedule E-1, respectively, and made a part hereof.

15. Section 14, Base Rebate for SEROQUEL, shall hereby be deleted in its entirety and replaced as follows:

    Subject to the terms and conditions of the Agreement, AstraZeneca shall pay LACMH a base rebate ("Base Rebate") with respect to Total Utilization of each NDC of SEROQUEL by LACMH during each calendar quarter provided LACMH maintains SEROQUEL on Formulary/Preferred Drug List with no Restrictions including No Prior Authorization throughout the Contract Period. The Base Rebate shall be calculated in an amount equal to (a) the rebate percentage, if any, set forth under "Base Rebate" on Schedule A, multiplied by (b) the WAC for such NDC of SEROQUEL in effect for such calendar quarter, multiplied by (c) Total Utilization for such NDC of SEROQUEL for LACMH, less Clinic Transaction Reversals, during such calendar quarter.

16. Section 15, Performance Rebate for SEROQUEL, shall hereby be deleted in its entirety and replaced as follows:

    Subject to the terms and conditions of the Agreement, AstraZeneca shall pay LACMH a performance rebate ("Performance Rebate") with respect to Total Utilization of each NDC of SEROQUEL by LACMH during each calendar quarter provided LACMH maintains SEROQUEL on Formulary/Preferred Drug List with no Restrictions including No Prior Authorization throughout the Contract Period. The Performance Rebate shall be calculated in an amount equal to (a) the rebate percentage, if any, set forth under "Performance Rebate" on Schedule A corresponding to the "Internal SEROQUEL Market Share" of LACMH, multiplied by (b) the WAC for such NDC of SEROQUEL in effect for such calendar quarter, multiplied by (c) Total Utilization for such NDC of SEROQUEL for LACMH, less Clinic Transaction Reversals, during such calendar quarter.

17. Section 16, Contract Period, shall be deleted in its entirety and replaced as follows:

    This Agreement shall be Effective October 1, 2004 (the "Effective Date") and shall continue in effect for a period of four (4) years from the first day of the calendar quarter in which the Effective Date falls (the "Contract Period").

18. Section 18, Independent P&T Process, shall be deleted in its entirety and replaced as follows:

    LACMH represents and warrants that all decisions by LACMH's Pharmacy and Therapeutics Committee ("P&T") have been made on the basis of an independent evaluation and that nothing in this Agreement interferes with or is inconsistent with the integrity of said P&T process. LACMH also represents and warrants that its dealings with Participating Clinics with respect to this Agreement will be conducted in a manner, which is consistent with the independence and integrity of the P&T Committees of Participating Clinics.

19. Section 19, Data Reporting, shall be deleted in its entirety and replaced as follows:

    LACMH shall transmit Data to AstraZeneca or its designated agent for each Product covered by the Agreement within sixty (60) days after the end of each calendar quarter. Data shall be submitted for all Products dispensed by Participating Clinics during the reporting period consistent with the terms and conditions of this Agreement. In addition, all Data submitted by LACMH to AstraZeneca must include the appropriate AstraZeneca 11-digit National Drug Code ("NDC"), as assigned by the U.S. Food and Drug Administration, for the applicable AstraZeneca Product. All AstraZeneca products that are the subject of this Agreement must be dispensed from Participating Clinics that are located, licensed, and registered within the United States of America.

20. A new Section 32, Access, shall hereby be added as follows:

    LACMH agrees to provide AstraZeneca representatives reasonable access to any committees involved in the design and implementation of the Formulary subject to

AstraZeneca's compliance with generally applicable guidelines of LACMH as they pertain to such Formulary. Furthermore, LACMH shall not directly or indirectly restrict or discourage AstraZeneca representatives from access to or the opportunity to meet with physicians and the other personnel of LACMH or any Participating Clinic involved in the writing or delivery of prescriptions.

21. A new Section 33, Scope of Agreement, shall hereby be added as follows:
These Terms and Conditions shall apply only to LACMH and its Participating Clinics located in the Continental United States, Alaska, Hawaii, Puerto Rico, and territories and possessions of the United States.

22. A new Section 34, Notices, shall hereby be added as follows:
Any notice to be given by either party to the other shall be in writing and shall be given either by hand delivery or facsimile and confirmed in writing, by overnight courier (charges prepaid) or certified mail, return receipt requested, addressed to AstraZeneca or LACMH at their respective addresses set forth below, or at such other address as either party shall designate to the other in accordance herewith. Notices shall be deemed given when received, as evidenced by written receipt or confirmation.

If to AstraZeneca, to:
AstraZeneca
1800 Concord Pike, Rollins Building, RL 4-415B
Wilmington, DE 19803
Facsimile: (302) 886-4338
Attn: Diana Saladino

If to LACMH, to:

Los Angeles County Department of Mental Health
550 South Vermont Ave
9th Floor
Los Angeles, CA 90020
Tel: (213) 738-4725
Facsimile: ( )
Attn: Wayland Chan

23. A new Section 35, Survival of Agreement, shall hereby be added as follows:
The provisions of the following sections shall survive termination of this Agreement: Compliance, Audits by AstraZeneca, Confidentiality and Governing Law.

24. A new Section 36, Other Agreements, shall hereby be added as follows:
This Agreement and LACMH's performance hereunder does not and will not violate any Agreements LACMH has with any third party, and that LACMH's participation in any such agreements shall not conflict with LACMH's performance of its obligations hereunder.

25. Schedule B shall be deleted in its entirety and replaced with the attached Schedule B

Provided that Section 952 of the Omnibus Budget Reconciliation Act of 1980 and the regulations promulgated thereunder ("Section 952"), i.e., 42 U.S.C. § 395x(v)(1)(I) are applicable to this Agreement, AstraZeneca shall, until four years after the expiration of the services hereunder, comply with requests by the Comptroller General of the United States, the Secretary of HHS, and their fully authorized representatives for access to this Agreement and to AstraZeneca books, documents and records necessary to verify the nature and extent of the costs of services provided by AstraZeneca. The access must be requested in accordance with the provisions of Section 952. A provision similar to this paragraph will also be included in contracts between AstraZeneca and organizations related to AstraZeneca for services provided thereunder and subject to Section 952. AstraZeneca will notify LACMH of any requests made pursuant to this provision.

9. Section 6, Termination, Paragraph d, shall be deleted in its entirety and replaced as follows:

   In the event of the occurrence of a "Change of Law" which, for purposes of this Agreement shall mean any change of law, rule or regulation, or any interpretation of existing law, rule or regulation (including without limitation the issuance of any advisory opinion, fraud alert, court ruling, bulletin, compliance guidance, opinion letter, or other official guidance, the institution by any government or other entity of an enforcement action, litigation, or investigation), which a party reasonably interprets as (i) making this Agreement or a material portion of a party's performance under this Agreement illegal, (ii) prohibiting or eliminating, or requiring a material change to any reductions in Product price offered hereunder; (iii) making such party's performance under this Agreement impossible or otherwise materially alter the intent of the Agreement, or (iv) requiring that AstraZeneca extend the material terms of this Agreement to any non-party, then with respect to the items specified in clauses (i), (ii) or (iii), either party may terminate this Agreement immediately, and in the case of the item specified in clause (iv) AstraZeneca may terminate this Agreement immediately.

10. A new Section 6, paragraph e, shall hereby be added as follows:

    No termination under this Section shall affect the rights and obligations of the parties accruing prior to the effective date of such termination.

11. A new Section 7, Designated Prime Vendor, shall hereby be added as follows:

    AstraZeneca shall have no obligation to ship Product to any wholesaler in the capacity as prime vendor for LACMH unless the wholesaler is an authorized AstraZeneca wholesaler and LACMH is able to reach an agreement with the wholesaler that is acceptable to AstraZeneca, at which point the wholesaler shall be deemed a "Designated Prime Vendor".

12. A new Section 8, Purchases, shall hereby be added as follows:

    If at any time during the term of this Agreement, LACMH determines to make purchases of Products from a Designated Prime Vendor, such purchases shall be direct from a Designated Prime Vendor. Each Designated Prime Vendor must be an approved full line drug wholesaler that complies with Healthcare Distribution Management Association ("HDMA") guidelines. AstraZeneca shall not be responsible for any fees between Designated Prime

26. Schedule C shall be deleted in its entirety and replaced with the attached Schedule C.

27. Schedule E and Schedule E-1, as attached hereto, shall hereby be added in their entirety.

This Amendment shall commence on October 1, 2006; however, this offer shall be null and void if not fully executed by November 30, 2006.

As hereby amended, all other terms and conditions of the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment on the respective dates set forth below.

**Los Angeles County Department of Mental Health**

By: _____

Name: _____
Title: _____

Date: _____

**AstraZeneca Pharmaceuticals LP**

By: _____

Name: Katherine M. Hartman
Title: Sr. Manager, Contract Development and Services

Date: _____

# AstraZeneca Pharmaceuticals LP
# Reimbursement Agreement
# Seroquel® (quetiapine fumarate)

## Schedule B
## Data Requirements

**Specification for Electronic Rebate Claim Submission Excel Spreadsheet or Fixed Length File Format**

The electronic submission of utilization data must be provided by one of the following methods: CD-ROM, FTP, AS1 (SMTP), AS2 (HTTP) or uploaded files to AstraZeneca's secure access web site. The file format and construct must conform to the format detailed below in the AstraZeneca Mandatory Data Elements table. The file columns/fields must contain values as described in the Comments column of the table. The electronic submission must contain data at the prescription level for AstraZeneca products and at the summary level for competitor products. The applicable information, for each Individual Member Health Plan in which an update to the Plan field occurs during a calendar quarter, must be provided to AstraZeneca prior to the submission of utilization data for said calendar quarter. AstraZeneca will go through a test period of the electronic submission prior to production implementation.

- The spreadsheet must include a heading row, which includes ALL COLUMN/FIELD NAMES listed below and which does not include ADDITIONAL COLUMN/FIELD NAMES not listed below.
- For each utilization data detail row, include ALL COLUMNS/FIELDS; even if all columns/fields are not populated with data.
- The spreadsheet/file must not contain any blank rows, page numbers, notes, or any other extraneous information.

## AstraZeneca Mandatory Data Elements

| Order | Column/Field Name | Data Type | Field Length | Comments |
|---|---|---|---|---|
| 1 | TRANSMISSION DATE | N | 8 | CCYYMMDD Date file was created |
| 2 | CONTRACT NUMBER | AN | 15 | Contracting Organization or Manufacturer assigned Contract Number |
| 3 | REBATE PERIOD START DATE | N | 8 | CCYYMMDD Start date of rebate |
| 4 | REBATE PERIOD END DATE | N | 8 | CCYYMMDD End date of rebate |
| 5 | CONTRACTING ORGANIZATION | AN | 17 | ID Code or Name of Contracting Organization |
| 6 | MANUFATURER | AN | 17 | ID Code or Name of Manufacturer |
| 7 | DATA LEVEL | AN | 2 | "PP" for AZ Rx-level records. "PN" for competitor summary-level records. |
| 8 | PLAN | AN | 17 | ID Code or Name of Plan |
| 9 | PHARMACY ID QUALIFIER | AN | 1 | "N" for NCPDP Provider ID Number (PIN), "P" for National Provider ID (NPI), for Rx-level records. 'blank' for summary-level records. |
| 10 | PHARMACY ID CODE | AN | 17 | PIN or NPI for Rx-level records and 'blank' for summary-level records. |
| 11 | PRODUCT CODE | AN | 17 | 11-Digit NDC for AZ products and 11 or 9-Digit NDC for competitor products |
| 12 | TOTAL QUANTITY | N | 15 | b99999999999999 or –99999999999999 for number of units |

| Order | Column/Field Name | Data Type | Field Length | Comments |
|---|---|---|---|---|
| 13 | TOTAL NUMBER OF PRESCRIPTIONS | N | 8 | 'blank' for Rx-level records. b9999999 or –9999999 for summery-level records. Value is total net number of prescriptions. |
| 14 | PRESCRIPTION NUMBER/ SERVICE REFERENCE NUMBER | AN | 15 | Number for Rx-level records and 'blank' for summary-level records. The standard is 7 characters; submit as submitted by the pharmacy. |
| 15 | DATE FILLED/ DATE OF SERVICE | N | 8 | CCYYMMDD |
| 16 | NEW/REFILL CODE | AN | 2 | 00=Original, 01=First Refill, 02=Second Refill, etc. for Rx-level records. |
| 17 | FILLER | AN | 44 | Optional use as needed |

# AstraZeneca Pharmaceuticals LP
# Reimbursement Agreement
# Product Schedule
# Seroquel® (queptiapine fumarate)

## Schedule C

**Products**

| NDC | Description | # of Units Dispensed | # of Scripts |
|---|---|---|---|
| 00310-0275-10 | SEROQUEL 25 mg | | |
| 00310-0275-34 | SEROQUEL 25 mg | | |
| 00310-0275-39 | SEROQUEL 25 mg | | |
| 00310-0278-10 | SEROQUEL 50 mg | | |
| 00310-0278-34 | SEROQUEL 50 mg | | |
| 00310-0278-39 | SEROQUEL 50 mg | | |
| 00310-0271-10 | SEROQUEL 100 mg | | |
| 00310-0271-39 | SEROQUEL 100 mg | | |
| 00310-0272-10 | SEROQUEL 200 mg | | |
| 00310-0272-39 | SEROQUEL 200 mg | | |
| 00310-0274-39 | SEROQUEL 300 mg | | |
| 00310-0274-60 | SEROQUEL 300 mg | | |
| 00310-0279-39 | SEROQUEL 400 mg | | |
| 00310-0279-60 | SEROQUEL 400 mg | | |
| | TOTAL SEROQUEL | | |

**Atypical Antipsychotics***

| NDC | Description | # of Units Dispensed | # of Scripts |
|---|---|---|---|
| 00310-0275-10 | SEROQUEL 25 mg | | |
| 00310-0275-34 | SEROQUEL 25 mg | | |
| 00310-0275-39 | SEROQUEL 25 mg | | |
| 00310-0278-10 | SEROQUEL 50 mg | | |
| 00310-0278-39 | SEROQUEL 50 mg | | |
| 00310-0278-34 | SEROQUEL 50 mg | | |
| 00310-0271-10 | SEROQUEL 100 mg | | |
| 00310-0271-39 | SEROQUEL 100 mg | | |
| 00310-0272-10 | SEROQUEL 200 mg | | |
| 00310-0272-39 | SEROQUEL 200 mg | | |
| 00310-0274-39 | SEROQUEL 300 mg | | |
| 00310-0274-60 | SEROQUEL 300 mg | | |
| 00310-0279-39 | SEROQUEL 400 mg | | |
| 00310-0279-60 | SEROQUEL 400 mg | | |
| 59148-0006 | ABILIFY 2 mg | | |
| 59148-0007 | ABILIFY 5 mg | | |
| 59148-0008 | ABILIFY 10mg | | |
| 59148-0009 | ABILIFY 15 mg | | |
| 59148-0010 | ABILIFY 20 mg | | |
| 59148-0011 | ABILIFY 30 mg | | |
| 59148-0640 | ABILIFY DISCMELT 10 mg | | |
| 59148-0641 | ABILIFY DISCMELT 15 mg | | |
| 00049-3960 | GEODON 20 mg | | |

## Atypical Antipsychotics*

| NDC | Description | # of Units Dispensed | # of Scripts |
|---|---|---|---|
| 00049-3970 | GEODON 40 mg | | |
| 00049-3980 | GEODON 60 mg | | |
| 00049-3990 | GEODON 80 mg | | |
| 50458-0301 | RISPERDAL 0.25 mg | | |
| 50458-0302 | RISPERDAL 0.5 mg | | |
| 50458-0300 | RISPERDAL 1 mg | | |
| 50458-0320 | RISPERDAL 2 mg | | |
| 50458-0330 | RISPERDAL 3 mg | | |
| 50458-0350 | RISPERDAL 4 mg | | |
| 50458-0395 | RISPERDAL M-TAB 0.5 mg | | |
| 50458-0315 | RISPERDAL M-TAB 1 mg | | |
| 50458-0325 | RISPERDAL M-TAB 2 mg | | |
| 50458-0335 | RISPERDAL M-TAB 3 mg | | |
| 50458-0355 | RISPERDAL M-TAB 4 mg | | |
| 00002-3231 | SYMBYAX 6 mg- 25 mg | | |
| 00002-3232 | SYMBYAX 12 mg- 25 mg | | |
| 00002-3233 | SYMBYAX 6 mg- 50 mg | | |
| 00002-3234 | SYMBYAX 12 mg- 50 mg | | |
| 00002-4112 | ZYPREXA 2.5 mg | | |
| 00002-4115 | ZYPREXA 5 mg | | |
| 00002-4116 | ZYPREXA 7.5 mg | | |
| 00002-4117 | ZYPREXA 10 mg | | |
| 00002-4415 | ZYPREXA 15 mg | | |
| 00002-4420 | ZYPREXA 20 mg | | |
| 00002-4453 | ZYPREXA ZYDIS 5 mg | | |
| 00002-4454 | ZYPREXA ZYDIS 10 mg | | |
| 00002-4455 | ZYPREXA ZYDIS 15 mg | | |
| 00002-4456 | ZYPREXA ZYDIS 20 mg | | |
| | **Total SEROQUEL & Competitors** | | |

* Not to exclude new product entrants into the market.

**Schedule E**
**AstraZeneca**
**Expired Return Goods Policy**

## *PRODUCTS ELIGIBLE FOR RETURN*

- This Policy applies only to eligible products of Seller that have been sold directly by Seller.
- Eligible expired products are the following product categories manufactured and/or distributed only by AstraZeneca LP or AstraZeneca Pharmaceuticals LP in the United States and identified by the NDC labeler codes indicated below:
  a) **Product Categories:**
     **- Non-controlled Pharmaceutical Products**
     **- Controlled Substance Pharmaceutical products**
  b) **NDC Labeler Code(s):**
     **- 00310**
     **- 00186**
- Expired product must be within six (6) months of expiration but cannot be out of date by more than one (1) year. Products that are in date will not be credited.

## *PROCEDURE FOR RETURNING GOODS*

- All expired product must be sent directly to Stericycle Pharmaceutical Services, Conyers, GA (1-800-777-6565) and/or Stericycle Pharmaceutical Services, Indianapolis, IN (1-800-636-9826). Both locations will hereinafter be referred to as "Return Goods Processor".
- No authorization is required to return eligible **EXPIRED PRODUCT**. Please contact Return Goods Processor to obtain Return Goods Form.
- Please ensure that the Return Goods Form has the name, address, & DEA number of the indirect and or the direct customer to be credited, and include a copy of the debit memo with the return.

## *SHIPPING*

- Eligible products shipped to Return Goods Processor are to be addressed and shipped to either:

**Stericycle Pharmaceutical Services**
**2084-900 Lake Industrial Court**
**Conyers, Georgia 30013**
**(800) 777-6565**

**Stericycle Pharmaceutical Services**
**2670 Executive Dr., Suite A**
**Indianapolis, IN 46241**
**(800) 636-9826**

- All eligible products shipped to Return Goods Processor are to be shipped in a safe, secure, and reliable manner, and in compliance with all applicable federal, state and local laws, regulations and statutes.
- Shipping charges for all shipments to Return Goods Processor are to be prepaid by Buyer. Seller is not obligated to pay for charges incurred by Buyer for return goods processing.
- Shipments sent COD (collect on delivery) will be refused by Return Goods Processor.
- It is the shipper's responsibility to securely package all returned products to prevent breakage during transit and otherwise comply with laws and regulations applicable to the packaging, shipping and transport of returned goods.
- Broken product containers/bottles, without product present, are NOT to be shipped to Return Goods Processor. If any are shipped to Return Goods Processor, they will be disposed of and will not be reported as a return.

- In the case where the Return Goods Processor may receive broken product containers/bottles that occurred during shipment, the Return Goods Processor will accept damaged, broken, wet and/or leaking shipping containers. Such returns will be processed, but no credit will be issued. Seller's credit memo to Buyer will indicate no credit due to damaged container.

## *REIMBURSEMENT FOR RETURNS*

- Reimbursements will be issued as provided below based on the current wholesale acquisition cost (WAC) less five percent (5%) of the merchandise returned, unless otherwise required by applicable law. Direct Contracted Buyers' reimbursement will be issued based on current contract price less five percent (5%) of the merchandise returned, unless otherwise required by applicable law.

- Reimbursements will be determined on the basis of actual count. Credit will be issued for the actual amount of tablets/capsules returned in a given container. For example, if 15 tablets/capsules are returned in a 30-count bottle, credit will be issued for 15 tablets/capsules only. For liquid, syringe, injectable, cream and ointment products, credit will be issued for sealed units of an inner pack. No credit will be issued for all others.

- Reimbursements will be net of any assessments on AstraZeneca for credit memo processing/handling.

- Credit will be issued to wholesalers and/or other direct accounts. For indirect customers, credit will be issued through their wholesaler or direct account.

- Returned goods may not be exchanged for replacement merchandise.

## *SCHEDULE II EXPIRED PRODUCT RETURNS*

- Buyer must contact Return Goods Processor at phone number designated above to obtain a Schedule II Return Request Form.

- Buyer must complete the Schedule II Return Request Form as instructed, including the NDC number and quantity of the items being returned, and return to the indicated address.

- Return Goods Processor will send Buyer a DEA Form 222 with packing and shipping instructions and a tamper-resistant bag.

- Schedule II products must be returned separate and apart from Schedule III, IV, and V products and non-controlled products. Items must be packaged by Buyer in the tamper-resistant bag and the bag placed inside a separate shipping carton with proper packing material.

- Schedule II returns must be shipped in an unmarked container via common carrier. Small quantities may be shipped via US registered mail, return receipt requested.

## *MISCELLANEOUS RETURN GOODS TERMS*

- **Not in Original Container:**
  All products must be in their original container. Seller will not issue credit for products returned in original containers with prescription labels attached. Seller will not issue credit for products returned in prescription containers. Seller will not issue credit for any repackaged product.

- **Over packed Container:**
  Credit will be issued for only the specified amount of the original container quantity. For example, if 45 tablets are returned in a 30-count bottle, credit will be issued for 30 tablets only. The other 15 tablets will be destroyed, with no credit issued.

- **Empty Container:**
  Credit will not be issued for returns of AstraZeneca containers that contain no viable product. For example, credit will not be issued for a return for remnants of crushed tablets that exist in a container.

- **Partial Reimbursement Policy:**
  Tablets and Capsules - Credit will be issued based on actual count.
  Liquid, Syringe, Injectable, Cream and Ointment Products – Credit will be issued for sealed units of an inner pack. No credit will be issued for all others.

- **Missing Lot or Expiration Date:**
  No credit will be issued if the lot number or expiration date is missing, illegible, covered, and/or unreadable on original container.

- No containers labeled "sample" will be credited.

- Returned quantities will be audited by Return Goods Processor, and final credit will be based on Return Goods Processor's count.

- Products unacceptable for credit will not be returned to the Buyer but will be destroyed. Buyer will receive notification for non-credited items.

- Seller will not issue credit for non-Seller products.

- Products damaged by fire, smoke, heat, or water resulting from fire or other insurable hazards is not returnable under this Policy.

- Distress merchandise, such as items purchased from bankruptcy sales, going-out-of-business sales, fire sales, or other merchandise generally considered under the classification "distress merchandise", is not returnable under this Policy.

*DISCONTINUED PRODUCT*

- Discontinued product NDCs will be evaluated by Seller on a case-by-case basis for potential return prior to becoming expired.

*SELLER'S DISCLAIMER*

- Seller is not responsible for shipments lost and/or damaged in transit. It is recommended that all Buyers insure return goods shipments.

- Pharmaceuticals Specialists and/or Office-Based Representatives are not authorized to accept returned merchandise.

- Seller can modify this policy at any time upon written notice.

*For purposes of this policy, references to Seller mean (a) AstraZeneca Pharmaceuticals LP ("AZPLP") as regards all goods or services identified by an AZPLP product code, labeler code or NDC number on the invoice or (b) AstraZeneca LP ("AZLP") as regards all goods or services identified by an AZLP product code, labeler code or NDC number on the invoice. AZLP is a sales agent for AZPLP and has authority to act for AZPLP in connection with the sale of AZPLP goods or services. In the absence of a product code, labeler code or NDC number for a particular good or service, Seller shall mean either AZPLP or AZLP as expressly identified on the invoice as regards to such good or service.*

**Schedule E-1**
**AstraZeneca**
**Standard Claims Management/Return Goods Process**

- ***This Process applies only to eligible products of Seller that have been sold and shipped directly to an eligible member(s) of a Group Purchasing Organization by Seller.***

## *CLAIMS MANAGEMENT*

## *A. DEFINITIONS*

1. "Authorized Deduction" means any deduction taken by Buyer against Seller's invoice in compliance with the provisions of this Agreement or as otherwise explicitly authorized in writing by Seller.

2. "Claims" means all requests by Buyer, by means of a debit memo or otherwise, for credit against payment due to Seller.

3. "Invalid Deduction" means any deduction, whether authorized or not authorized by Seller, taken by Buyer against Seller's invoice, that is determined by Seller to be incorrect, invalid, improperly taken or otherwise not due to Buyer.

~~1.~~ "Unauthorized Deduction" means any deduction taken by Buyer against Seller's invoice that is not expressly permitted by the terms of this policy. Unauthorized deductions are explained in detail outlined in Section D of this Exhibit.

## *B. NOTIFICATION*

1. Buyer shall notify Seller's Customer Service Department of all non-concealed discrepancies with respect to a shipment within five (5) business days of receipt of the shipment. The parties recognize that there may be extraordinary circumstances (e.g. fire) at Buyer's facility or within Buyer's organization whereby the five (5) business day notice provided for herein is not feasible to give, and in such event, Buyer will promptly notify Seller and the parties will agree to a reasonable adjustment of the timeframe within which to provide notice hereunder (provided such adjusted notice period shall in no event exceed thirty (30) calendar days).

2. Buyer shall notify Seller's Customer Service Department of all concealed discrepancies with respect to a shipment as soon as possible, but in any event not more than thirty (30) calendar days after receipt of the shipment. For purposes of this section, concealed discrepancies shall mean manufacturer shortage(s) or damage(s) which is discovered by Buyer in Product delivered in sealed manufacturer cases or shortage(s) or damage(s) which is later discovered by Buyer in Product which is part of a single NDC shrink wrapped pallet Seller shipment.

3. Buyer shall notify Seller's Customer Service Department of any discrepancies with respect to an invoice within five (5) business days of receipt of invoice or receipt of Product, whichever is later. If notified within five (5) business days, and discrepancy is agreed upon by both parties, Seller will then issue the appropriate documentation to correct the discrepancy amount.

## *C. CLAIMS PROCESSING*

1. Buyer shall notify Seller of any claims by written debit memo unless a debit memo is not required (see Table I), or by such other process as may be mutually agreed upon. Upon claim review and approval as described herein, Seller will issue a credit memo to Buyer. With the exception of Seller initiated credit memos, or as otherwise provided herein, Buyer shall make no adjustments to or take

Unauthorized Deductions from invoices. The following processes apply with respect to shipping errors, Product damaged in transit, shortages or pricing errors:

- Shipping Error (wrong product, wrong quantity (overage)) – Buyer shall notify Seller within five (5) business days from receipt of any Product shipped to Buyer in error, including any unbilled overages. If Buyer does not wish to keep the Product, Buyer will notify Seller, and Buyer will return the Product to Seller following Seller's instructions. The Products will be returned at Buyer's expense if the error was due to the fault of Buyer and at Seller's expense if the error was due to the fault of Seller. Seller will authorize credit within fifteen (15) calendar days following Seller's receipt of such Product returned in accordance with Seller's instructions. Seller may elect to credit the original invoice and re-invoice the shipment or issue credit for the properly returned overage which credit may be applied against payment of the original invoice or any other invoice subsequently issued by Seller. If Buyer wishes to keep the Product, Seller will invoice the Buyer for said Product within five (5) calendar days of Buyer's notification to Seller.

- Damages - Buyer will notify Seller of damages as soon as possible, but in no event more than five (5) business days after receipt, and Buyer will return the Product to Seller following Seller's instructions. The Products will be returned at Buyer's expense if the damage was due to the fault of Buyer and at Seller's expense if the damage was due to the fault of Seller or the carrier. Seller will authorize credit within fifteen (15) calendar days following Seller's receipt of such returned Product.

- Shortages (due to carrier loss or shipping error) - Buyer will promptly notify Seller of any shortage claims within five (5) business days after Buyer's receipt of shipment. Once notified by Buyer, Seller may require up to fifteen (15) calendar days to investigate and authorize Buyer's shortage claims for credit. If Buyer's shortage claim is not authorized by Seller, Seller will provide to Buyer written documentation supporting Seller's refusal to honor Buyer's shortage claim.

- Pricing Error - Buyer will promptly notify Seller of any pricing errors by issuance of a debit. Seller will authorize any corrections (as warranted) or deny the claims within fifteen (15) calendar days following notification by Buyer.

2. Seller shall issue credit memos for Products returned in accordance with Seller's Expired Return Goods Policy (Exhibit B – Table 1), within twenty-five (25) calendar days following Seller's receipt of such returned Products at Seller's Return Goods Processor sites. Pursuant to such Policy, at the rates referenced for "Direct Contracted Buyers"

3. Upon receipt of a debit memo, Seller shall use its best commercially reasonable efforts to issue a credit memo or written denial within the time periods provided for under the heading "AZ Processing Window - Cal. Days" as set forth on Table I.in this Exhibit. In the event that Seller does not fails within such time periods to issue a credit memo or deny in writing a debit memo received from Buyer within the applicable time period specified on Table I, Buyer is authorized to take a deduction for such amount. Any such deduction is subject to Seller's approval. In the event that Seller does not approve the deductions, or deems all or some portion invalid, Seller will bill back for such amount(s) and Buyer shall promptly make payment thereof. Upon receipt of a debit memo, Seller shall use its best efforts to issue a credit memo or written denial within the time periods provided for in this Section III. In the event that Seller fails within such time periods to issue a credit memo or deny in writing a debit memo received from Buyer, Buyer is authorized to take a deduction for such amount. Any such deduction is subject to Seller's approval. In the event that Seller does not approve the deductions, or deems all or some portion invalid, Seller will bill back for such amount(s) and Buyer shall promptly make payment thereof.

4. Except as expressly provided in this Section C., Buyer shall take no other deductions from the invoices, including post-audit claims and deductions (post-audit claims defined for these purposes as claims made eighteen (18) or more months after the transaction(s) to which they relate.

## *D. UNAUTHORIZED DEDUCTIONS*

1. Any deductions taken by Buyer that are not expressly provided for herein will be Unauthorized Deductions, including but not limited to those specified above and the following:

    - Deductions taken more than seven (7) calendar days post credit memo receipt;
    - Deductions taken prior to close of Seller's claim processing windows as established herein (see also Table I), to include:
    - Deductions taken for returned Product not yet received
    - Deductions taken where Seller has not received a debit memo, unless no debit memo is required (see also Table I);
    - Invalid deductions not repaid within the billed terms or fifteen (15) calendar days, whichever is greater

2. Seller shall issue debit memos for cash discounts taken but not earned, correction of shipment and billing errors, and for any shipping charges to be paid by Buyer, within five (5) calendar days of Seller's authorization of such debit.

## *E. CLAIMS PROCEDURES*

In order to facilitate the claims management process set forth in this Exhibit, Buyer agrees to:

1. Issue written debit memos to Seller at the address below for all non-hospital chargeback related claims: AstraZeneca Pharmaceuticals, P.O. Box 15437, Attention Order Fulfillment–FOC–NW, Wilmington, DE, 19850-5437.

2. Repay Unauthorized Deductions in full contemporaneously with Seller's related credit memo(s).

3. In the event of a Product Recall, issue a separate debit memo for, respectively returned Product and Recall Fees.

4. Honor the processing windows established in this Exhibit prior to initiating deductions against Seller's invoices. If Buyer mixes claim types on a single debit memo, Seller will be entitled to use the longest applicable processing window for the purpose of determining if a subsequent deduction is authorized.

5. Honor the processing windows established in Section III.C. prior to initiating deductions against Seller's invoices. If Buyer mixes claim types on a single debit memo, Seller will be entitled to use the longest applicable processing window for the purpose of determining if a subsequent deduction is authorized.

6. Without waiving any rights or remedies available to either party at law or in equity, in the event that Buyer in good faith disputes Seller's denial of Buyer's claim, and so notifies Seller within seven (7) calendar days following Seller's denial of such claim, Buyer and Seller shall reasonably cooperate to resolve such dispute in accordance with a dispute resolution procedure to be mutually agreed upon by Buyer and Seller.

## *F. SELLER'S REMEDIES*

1. Without limiting the foregoing, Seller reserves the right to suspend some or all of Buyer's credit line privileges if an Unauthorized Invalid Deduction is not repaid within thirty (30) calendar days.

## Schedule E-1 - Table I
## AstraZeneca
## Claims Management Processing

*As set forth in Section C, Seller shall process and render disposition of Buyer's Claims within defined periods of time. Such disposition will be in the form of a credit memo or a notice of claim denial. The relevant time periods for Seller to process claim shall be as set forth below.*

**CLAIMS MANAGEMENT Processing Windows**

| | | <----------From receipt of----------> | | | |
|---|---|---|---|---|---|
| **Claim Type** | **AZ Processing Window- Cal. Days** | **Returned Product** | **Debit Memo (DM)** | **Later of Return or DM** | **Other** |
| Hospital Chargeback (HCB) | 10 | | X | | |
| Damage | 15 | | | X | |
| Shipping Error | | | | | |
| Wrong Product | 15 | X | | | |
| Overage (if returned) | 5 | (X) | | | N/A |
| Over and Short | | | | | N/A |
| Pricing | 15 | | X | | |
| Shortage | 15 | | X | | |
| Return Goods (I.e. expired) | 25 | | | X | |
| HCB- Resubmission | 30 | | X | | |
| Recalls | | | | | |
| Product Return | 25 | | | X | |
| Recall Fees | 21 | | X | | |

*Mail debit memos to: AstraZeneca Pharmaceuticals, P.O. Box 15437, Attention Order Fulfillment–FOC–NW, Wilmington, DE, 19850-5437.*
*Or, e-mail to: orderfulfillment.Wilmington@astrazeneca.com*

*To verify Seller's receipt of a debit memo or inquire as to the status: call Order Fulfillment at 302-886-8800, or 1-800-842-9920 (Option 1) or e-mail inquiry to:*

# PHARMACEUTICAL AGREEMENT

This agreement ("Agreement") confirms the mutual understanding of **Los Angeles County** ("County") and **Otsuka America Pharmaceutical Inc.** ("OAPI") and **Bristol-Myers Squibb Company**, ("Supplier"), as a contract service provider for Otsuka America Pharmaceutical, Inc. in respect of County's management of the pharmaceutical products and services for its Eligible Beneficiary Recipients.

WHEREAS, County is a County of the State of California which enters into arrangements for the purchase of products and services; and

WHEREAS, Supplier wishes to provide products and services to County pursuant to the terms of this Agreement; and

WHEREAS, Supplier, as a contract service provider to OAPI, shall perform services for OAPI as set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and intending to be legally bound hereby, County and Supplier agree as follows:

1. **Definitions.** Unless otherwise defined in the text of this Agreement, capitalized terms used herein shall have the meaning ascribed to them in this Section 1:

   1.1. *Contract Period* means the period beginning on the Effective Date as set forth in Section 2 hereto, and ending on the earlier of (a) the end of the term specified in Section 2 hereto, or (b) the date of termination pursuant to the provisions of this Agreement.

   1.2. *Force Majeure Event* means acts of God, perils of the sea, fire, flood, epidemic, war, civil disorder, acts or consequences of terrorism, state or federal acts or restrictions, accidents, plant conditions, strikes, labor difficulties, failure of or delay in transportation, shortages of fuel, energy, labor or materials, failure of any party's suppliers to perform its contract with a party or any other causes beyond the reasonable control of either party.

2. **Term.** This Agreement becomes effective as of date of the last party to sign (the "Effective Date") and continues for twenty-four (24) months thereafter (the "Term"), unless terminated earlier in accordance with the Termination section below.

3. **Contracted Products.** This Agreement covers the Supplier's products listed in Attachment A (collectively, the "Contracted Products"). Attachment A may be amended by mutual written agreement of the parties. In the event of the addition of any new product(s) to Attachment A, Supplier shall provide County with a revised Attachment A thirty (30) days in advance of the semi-annual period in which revised Attachment A becomes applicable.

4. **Rebates.** Supplier agrees to pay County those rebates which are earned under the terms and conditions of this Agreement in the form of rebates on the Contracted Products dispensed unit volume paid for by County in each semi-annual period. Supplier and County agree that all rebates shall be calculated in the aggregate for all dispensed units of Contracted Products paid for by County. The Rebate for each Contracted Product shall be calculated for County by multiplying the Total Semi-annual Contracted Product Dollars with the applicable Rebate Percentage listed on Attachment C. Total Semi-annual Contracted Product Dollars are calculated by multiplying the Total Semi-annual Contracted Product Dispensed Units with the Wholesale List Price (WLP) in effect on the first day of that semi-annual period.

5. **Medicaid Best Price.** In the event a rebate calculated in respect of any NDC number for a particular contract semi-annual period shall exceed the then applicable Medicaid "best price" for such period, the rebate payable in respect of that NDC number for that particular period shall be reduced to then applicable Medicaid "best price." This paragraph applies to single source and innovator multi-source products as they are within the terms defined in OBRA '90.

6. **Eligible Beneficiary Recipient(s).** This Agreement applies solely to Contracted Products dispensed to County's Eligible Beneficiary Recipient(s) for whom County is at risk. Eligible Beneficiary Recipient(s) for whom County is at risk shall mean those individuals whose prescription drug benefits are subject to a formulary administered by County satisfying all of the requirements of Section 7 "Utilization Data" and Section 9 "Formulary" of this Agreement. Eligible Beneficiary Recipient(s) for whom County is at risk shall exclude those individuals whose pharmacy expenses are paid in whole or part by Medicare, Medicaid and/or any other program funded in whole or part by the federal government, or any other state health care. OAPI and Supplier shall have no obligation to pay any amounts with respect to units of Contracted Products dispensed to Medicare, Medicaid or other Federal/State Health Care Program patients for which any reimbursement has been provided under such programs.

7. **Utilization Data.** To qualify for rebates for products offered on Attachment A pursuant to this Agreement, County agrees to supply Contracted Product utilization data to Supplier on a semi-annual basis. Only data and information in respect of drugs dispensed to Eligible Beneficiary Recipients for whom County is at risk shall be included in the utilization data submitted. The semi-annual submission of utilization data shall include County's best estimate of the number of Eligible Beneficiary Recipients for whom County is at risk at the beginning of such semi-annual period. This estimate shall use, as its starting number, the number of open cases in the County's mental health system, and shall remove from such number, individuals who are known to have third party drug coverage of any sort, including Medicaid or SCHIP. Utilization data shall be provided in the NCPDP format and should include: Pharmacy Name, DEA Number, Prescription Number, Dispensed Date, NDC-11 Code, Brand Name, Package Size/Strength and Units Dispensed (tablets, grams, ml, etc.). Utilization data in the NCPDP format does not contain consumer identification numbers or names. Utilization data will be provided to Supplier electronically in accordance with the specifications in Attachment D. County shall include with each semi-annual submission, an invoice reflecting County's calculation of the rebate owed pursuant to this Agreement. County's invoice, however, may not be binding upon Supplier as the following further describes: (a) Supplier may choose to pay the invoice amount; or (b) Supplier may recalculate the rebate; or (c) Supplier may pay the invoice amount subject to subsequent recalculation. In the event Supplier deems that recalculation of the rebate is warranted, Supplier will discuss with appropriate County representatives and come to a mutual decision.

Utilization data shall be supplied to Supplier within sixty (60) days after the end of each semi-annual period. In the event County supplies such data later than sixty (60) days, but within one hundred eighty (180) days after the end of a semi-annual period, the rebate otherwise obligated pursuant to this Agreement shall be reduced by five (5) percent. In the event County has not supplied utilization data for any semi-annual period within one hundred eighty (180) days after the end of such semi-annual period, the rebate owed in respect of Contracted Products dispensed during such quarter may be forfeited.

County may make no more than one (1) correction to utilization data after it has been submitted to Supplier; such correction may not be submitted greater than one (1) year after the end of the semi-annual period. Second and later corrections, and corrections submitted greater than one (1) year after the end of the semi-annual period will not be honored.

Utilization data shall be sent to Supplier addressed as follows:

Bristol-Myers Squibb Company
Pricing and Institutional Contract Operations
777 Scudders Mill Road, Mail Code P33-03
Plainsboro, NJ 08536

Rebates shall be due sixty (60) days after the receipt of all data requirements. If utilization data or rebates are due on a weekend, holiday or other non-business day, utilization data or rebates will be due on the next regular business day.

In the event Supplier disputes any utilization data provided by County or the propriety of inclusion of any Eligible Beneficiary Recipient(s) or Non-eligible Beneficiary Recipient(s), Supplier may not be required to make any payment with respect to the applicable semi-annual period. Disputes shall be handled in accordance with the Section 12 provided, however, that Supplier shall pay any amounts that are not disputed.

**Privacy Act Compliance.** Each of the parties shall comply with all applicable provisions of the Health Insurance Portability and Accountability Act of 1996 relating to the privacy and security of individually identifiable health information and all regulations adopted in connection therewith (collectively, "HIPAA"). The parties acknowledge that certain Confidential Information provided to Supplier by County may contain Protected Health Information ("PHI"), as defined in Health Insurance Portability and Accountability Act ("HIPAA"), but only to the extent minimally necessary for payment or health care operations activities related to this Agreement, as such activities are contemplated under HIPAA. Supplier shall use any PHI received in connection with this Agreement only for such payment or health care operations activities and shall take reasonable steps to timely notify County in the event that any PHI made available to Supplier hereunder is disclosed to any unauthorized individual or entity.

9. **Formulary.** County agrees to refrain from positioning other products in the therapeutic class/category in a way that disadvantages the Contracted Products under this Agreement during the term of this Agreement.

   During the Term of this Agreement, County agrees to maintain Contracted Products on its formulary and/or otherwise treat the Contracted Products in a manner such that (i) the Contracted Products shall not be restricted in their availability to all prescribers, and (ii) No organized effort will be made by County to influence physicians to change patients from a Contracted Product to another competitor's branded product. In no case shall County take any action that is prohibited by law, interferes with the doctor-patient relationship, or overrides the medical judgement of the prescribing physician.

   On a semi-annual basis, County will submit Attachment B - "Formulary Compliance", and indicate the formulary status of Contracted Products. Subsequently, County will provide notification to Supplier within thirty (30) days of any changes to the Formulary.

   Formulary compliance data (Attachment B) shall be sent to Supplier within sixty (60) days after the end of each semi-annual period. In the event County supplies such data later than sixty (60), but within one hundred eighty (180) days after the end of a semi-annual period, the rebate otherwise obligated pursuant to this Agreement shall be reduced by five (5) percent. In the event County has not supplied formulary compliance data for any contract semi-annual period within one hundred eighty (180) days after the end of such semi-annual period, no rebate shall be paid in respect of Contracted Products dispensed during such semi-annual period.

10. **Supplier Compliance with Health Care Laws and Regulations.** Supplier shall remain in compliance with all federal and state health care laws and regulations, including any anti-kickback requirements and self-referral prohibitions (e.g., Stark laws). Supplier agrees to comply with all applicable "safe harbor" regulations under the federal anti-kickback laws relating to County and fees, discounts and incentives paid and/or granted to County and any purchasers of items or services reimbursable under a Federal Healthcare Program. Supplier further agrees to provide County with any information necessary for County to remain in compliance with the safe harbor regulations, including the safe harbors for discounts paid to County.

11. **Audit.** Supplier, through any of its employees, agents, representatives, attorneys, or accountants, shall have the right, once each calendar year, to examine and audit the books, records, and files of County upon thirty (30) days notice and during normal business hours, in connection with transactions covered by this Agreement. The expense of the audit or examination shall be borne by Supplier. In the event the audit reveals any discrepancies between amounts paid by Supplier or claimed by County and amounts actually earned under this Agreement, the discrepancies shall be handled as follows: incorrect amounts not yet paid shall be adjusted and paid in the correct amount; underpayments shall be promptly corrected and paid by Supplier; overpayments shall be promptly refunded by County or, at the sole discretion of Supplier, credited against rebates yet to be earned and paid under this Agreement. Disputes shall be settled in accordance with Section 12.

12. **Disputes.** If a dispute arises between the parties relating to this Agreement, the parties agree to use the following procedure prior to either party pursuing other available remedies:

12.1. A meeting shall be held promptly, either in person or by telephone, between the parties, attended by individuals with decision-making authority regarding the dispute, to attempt in good faith to negotiate a resolution of the dispute.

12.2. If, within sixty (60) days after such meeting, the parties have not succeeded in negotiating a resolution of the dispute, they will jointly appoint a mutually acceptable neutral person not affiliated with either of the parties (the "neutral"), seeking assistance in such regard from the American Arbitration Association if they have been unable to agree upon such appointment within ninety (90) days from the initial meeting. The fees of the neutral shall be shared equally by the parties.

12.3. In consultation with the neutral, the parties will select or devise an alternative dispute resolution procedure (ADR) by which they will attempt to resolve the dispute; and a time and place for the ADR to be held, with the neutral making the decision as to the procedure, and/or place and time, (but unless circumstances require otherwise, not later than sixty (60) days after the selection of the neutral) if parties have been unable to agree on any such matters within thirty (30) days after initial consultation with the neutral.

12.4. The parties agree to participate in good faith in the ADR to its conclusion as designated by the neutral.

13. **Indemnity.** Each party shall indemnify, defend and hold harmless the other parties, and their agents, servants, employees, officers, directors, attorneys, subsidiaries and assigns from and against all claims (including, but not limited to, product liability claims), losses, damages, liabilities and expenses (including, but not limited to, attorneys' fees and court costs) arising as a result of negligence, illegality or wrongdoing of any kind alleged or actual on the part of the indemnifying party. In the event Contracted Products are missing, defective, or not in accordance with County's order, the County's sole and exclusive remedies shall be, at Supplier's option, replacement of the Contracted Products or crediting of the County's account. Nothing in this Paragraph shall affect claims for damages or loss in transit covered by insurance. Notwithstanding anything to the contrary stated in this Agreement, neither party shall be liable to the other for any consequential, incidental, special, indirect, or punitive damages, including lost sales or loss of profits, regardless of the cause of action giving rise to such losses.

14. **Termination.** Prior to its scheduled expiration, this Agreement may be terminated as follows:

14.1. By either party, with or without cause, upon thirty (30) days prior written notice.

14.2. By Supplier, in the event Supplier no longer sells a Contracted Product, upon the date set forth in a notice letter to County specifying the Contracted Product affected and the effective date of such termination.

In the event that a party exercises its rights to terminate this Agreement pursuant to Section 14.1, County shall submit the Utilization Data required in Section 7 for the Stub Period within 60 days of the termination date. Supplier will pay the rebate earned on Contracted Product dollars related to the Stub Period within 60 days of receipt of the Utilization Data. For purposes of this Section, Stub Period is that period beginning with the first day of the semi-annual period in which termination occurs and ending on the effective date of the termination.

15. **Waiver.** The terms and conditions of this Agreement may not be waived, modified or amended in any way by conduct, custom or course of dealing; instead, they may be waived only by a written document signed by the party who is disadvantaged by such waiver, modification or amendment. The waiver by a party of any term or condition of this Agreement shall not be deemed to be a waiver of any subsequent breach by the other party of the same term or condition or any other term or condition of this Agreement. The subsequent acceptance of performance by a party of any breached term or condition of this Agreement shall not be deemed to be a waiver of any preceding breach by the other party of the same term or condition or any other term or condition of this Agreement, regardless of whether the accepting party knew or did not know of the preceding breach at the time of acceptance of such performance.

16. **Confidentiality.** Each party agrees to maintain in confidence and not disclose, disseminate or otherwise make available to any unaffiliated third party the discounts offered under this Agreement and/or any other of its terms and conditions. The foregoing confidentiality obligation shall not apply and confidential information may be disclosed to the extent required by law, provided that the disclosing party shall give maximum practical advance notice of same and request such confidential treatment of such disclosure from the recipient as may be afforded by law.

17. **Use of Names, etc.** OAPI, Supplier and County agree that they will not use in any way in their promotional, informational or marketing activities or materials (i) the names, trademarks, logos, symbols or a description of the business or activities of the other parties or any Client, Authorized Dealer or Member without in each instance first obtaining the prior written consent of the person owning the rights thereto; or (ii) the award or the content of this Agreement without in each instance first obtaining the prior written consent of the other party(s).

18. **Force Majeure.** The obligations of any party to perform under this Agreement will be excused during each period of delay caused by Force Majeure Events. In the event that any party ceases to perform its obligations under this Agreement due to the occurrences of a Force Majeure Event, such party shall: (1) notify the other parties in writing of such Force Majeure Event and its expected duration; (2) take all reasonable steps to recommence performance of its obligations under this Agreement as soon as possible.

19. **Assignment.** No party shall have the right to assign this Agreement or any part thereof to a third party without prior written consent of the other parties.

20. **Notice.** All notices which either Supplier and/or County are required to give to the other under this Agreement shall be in writing and deemed to have been duly given upon receipt if sent electronically or by facsimile to the party named below or by certified or registered U.S. mail, postage prepaid, return receipt requested, or by an overnight delivery service addressed as follows:

If to Supplier:

Bristol-Myers Squibb Company
Director: Pricing and Institutional Contract Operations
777 Scudders Mill Road, Mail Code P33-03
Plainsboro, NJ 08536

copy to: Legal Department; at the same address

If to County:

County Office: L.A. County Dept. of Mental Health Attn: Arthur F. Schlichting
(Official Name & Title)

Address: 550 S. Vermont Avenue, Los Angeles, CA 90020

21. **Choice of Law.** Agreement shall be governed and construed by the laws of the State of New Jersey and New Jersey courts shall have jurisdiction over all matters relating to the Agreement.

22. **Amendment.** This Agreement may not be amended other than by written instrument signed by authorized representatives of all parties hereto.

23. **Entire Agreement.** This Agreement constitutes the entire Agreement between the parties with respect to its subject matter and supercedes all prior and contemporaneous understandings and agreements. The following Attachments are incorporated by reference in this Agreement:

| | |
|---|---|
| Attachment A | Contracted Products |
| Attachment B | Formulary Compliance |

| | |
|---|---|
| Attachment C | Contracted Product Rebates |
| Attachment D | Electronic Data Submissions Guidelines and Specifications |

If the foregoing properly states your understanding of our Agreement, please sign and date where indicated below and return one fully executed copy to the undersigned.

**Los Angeles County**

Signature

RODERICK SHANER, MD

Name

MEDICAL DIRECTOR

Title

9-20-2004

Date

**Bristol-Myers Squibb Company**

Frank Marra

Signature

Frank Marra

Name

Director, Pricing & Institutional Operations

Title

10/14/04

Date

Approved as to legal form

Initials

10-14-04

Date

**Otsuka America Pharmaceutical, Inc.**

Signature

Steven P. Cobourn

Name

VP and Treasurer, Finance

Title

7/22/4

Date

## ATTACHMENT A

## CONTRACTED PRODUCTS

### ABILIFY™
### (aripiprazole) Tablets

| NDC NO. | ITEM NO. | PRODUCT DESCRIPTION |
|---|---|---|
| 59148-007-13 | 0007-13 | 5 mg tablet, bottle of 30 |
| 59148-007-35 | 0007-35 | 5 mg tablet, 10x10UD |
| 59148-008-13 | 0008-13 | 10 mg tablet, bottle of 30 |
| 59148-008-35 | 0008-35 | 10 mg tablet, blister of 100 |
| 59148-009-13 | 0009-13 | 15 mg tablet, bottle of 30 |
| 59148-009-35 | 0009-35 | 15 mg tablet, blister of 100 |
| 59148-010-13 | 0010-13 | 20 mg tablet, bottle of 30 |
| 59148-010-35 | 0010-35 | 20 mg tablet, blister of 100 |
| 59148-011-13 | 0011-13 | 30 mg tablet, bottle of 30 |
| 59148-011-35 | 0011-35 | 30 mg tablet, blister of 100 |

ABILIFY™ (aripiprazole) tablets marketed by Otsuka America Pharmaceutical, Inc., Rockville, MD 20850 USA and Bristol-Myers Squibb Company, Princeton, NJ 08543 USA; manufactured by Otsuka Pharmaceutical Co., Ltd., Tokyo 101-8535 Japan; and distributed by Bristol-Myers Squibb Company, Princeton, NJ 08543.

## ATTACHMENT B

## FORMULARY COMPLIANCE

**INSTRUCTIONS:** Check off the appropriate formulary status for the current semi-annual period and return a copy of this form.

**COUNTY:** _____

**SUBMITTED BY:** _____

**SIGNATURE:** _____

**TITLE:** _____

**DATE SUBMITTED:** _____

| *PRODUCT* | **Formulary Status Year 1** | | **Formulary Status Year 2** | |
|---|---|---|---|---|
| | **1st Period** | **2nd Period** | **1st Period** | **2nd Period** |
| **Abilify™** (aripiprazole) | | | | |

**Formulary Status:**

**Tier 1**
**Tier 2**
**Tier 3**

# ATTACHMENT C

## CONTRACTED PRODUCT REBATES

**Semi-Annual Rebate Percentage:**

| Rebate % |
|---|
| 7.5% |

**Rebate Calculation:** The rebate for each Contracted Product will be calculated twice a year (semi-annual).

- **Step1:** Total Semi-annual Contracted Product Dollars are calculated by multiplying the Total Semi-annual Contracted Product Dispensed Units with the Wholesale List Price (WLP) in effect on the first day of that semi-annual period.

**Total Semi-annual Contracted Product Dollars** = Total Semi-annual Contracted Product Dispensed Units x Wholesale List Price

- **Step 2:** The Rebate for each Contracted Product shall be calculated for County by multiplying the Total Semi-annual Contracted Product Dollars with the applicable Rebate Percentage listed on Attachment C.

**Rebate** = Total Semi-annual Contracted Product Dollars x Rebate Percentage

**Eligible Beneficiary Recipient(s)**: This Agreement applies solely to Contracted Products dispensed to County's Eligible Beneficiary Recipient(s) for whom County is at risk. Eligible Beneficiary Recipient(s) for whom County is at risk shall mean those individuals whose prescription drug benefits are subject to a formulary administered by County satisfying all of the requirements of Section 8 "Utilization Data" and Section 9 "Formulary" of this Agreement. Eligible Beneficiary Recipient(s) for whom County is at risk shall exclude those individuals whose pharmacy expenses are paid in whole or part by Medicare, Medicaid and/or any other program funded in whole or part by the federal government, or any other state health care. OAPI and Supplier shall have no obligation to pay any amounts with respect to units of Contracted Products dispensed to Medicare, Medicaid or other Federal/State Health Care Program patients for which any reimbursement has been provided under such programs.

## ATTACHMENT D

## ELECTRONIC DATA SUBMISSIONS GUIDELINES AND SPECIFICATIONS

**Part I: Electronic Data Media**

Purchase data must be submitted to Supplier in an electronic medium either via email or hardcopy.

| Software Applications | Electronic Media |
|---|---|
| Microsoft Excel ™* | 3 ½ inch Diskette(s)* |
| Microsoft Access ™ | CD ROM* Formulary Compliance |
| Text (comma or tab delimited) ASCII format | Tape (cartridge) |

* Preferred Media.

**Part II: Utilization Data Elements**

Utilization data shall be provided in the NCPDP format and should include:

- Dispensed Date
- NDC-11 Code
- Brand Name
- Package Size/Strength
- Units Dispensed (tablets, grams, ml, etc.).

The following data must also be submitted:

| Data Field | Type | Specification/Format |
|---|---|---|
| Formulary | Text | Formulary applicable to contract quarter |
| Invoice | Text | Estimated calculation of rebate due for the current quarter |

# FIRST AMENDMENT TO PHARMACEUTICAL AGREEMENT

This First Amendment ("Amendment") is made effective August 1, 2005 by and between **Los Angeles County** ("County"), **Otsuka America Pharmaceutical Inc.** ("OAPI") and **Bristol-Myers Squibb Company** ("Supplier").

WHEREAS, County, OAPI and Supplier previously entered into a Pharmaceutical Agreement, effective October 14, 2004 ("Agreement"); and

WHEREAS, the parties hereto now mutually desire to amend, modify and restate certain terms and conditions of the Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and intending to be legally bound hereby, County, OAPI, and Supplier agree as follows:

1. **Attachment A.** The Agreement is hereby amended by replacing the former Attachment A ("Contracted Products") with the Attachment A ("Contracted Products") attached to this Amendment and incorporated herein by reference.

2. Section 3 of the Agreement is deleted and replaced by the following:

> 3. **Contracted Products.** This Agreement covers the Supplier's products listed in Attachment A (collectively, the "Contracted Products"). Attachment A may be amended by mutual written agreement of the parties.

3. Section 5 of the Agreement is deleted and replaced by the following:

> 5. **Medicaid Best Price.** In the event a discount, rebate and/or other price concession provided in relation to any NDC number for any calendar Quarter results in a price that is lower than the then-applicable Medicaid or Government "best price" for such Quarter, the discount, rebate and/or other price concession applicable to that NDC number for that particular Quarter shall be reduced so that the resulting price is equal to the then-applicable Medicaid or Government "best price." The parties acknowledge that any reduction of the discount and/or other price concession applicable to that particular NDC number will be retroactively effective to the beginning of any and all Quarters during which the pricing for such Product would, but for this section, have resulted in a price lower than BMS's then-current "best price" for such Product.

4. **Principles of Construction** Whenever the terms or conditions of the Agreement and this Amendment are in conflict, the terms of this Amendment control. Except as specifically modified by the terms of this Amendment, all terms of the Agreement remain in full force and effect.

5. **Execution.** Authorized representatives of the parties have executed this Amendment as of the dates written below.

Los Angeles County

Signature

Arthur F. Schlichting

Name

Dir. of Pharmacy

Title

July 14, 2005

Date

Bristol-Myers Squibb Company

Signature

Frank C. Marra, Jr.

Name

Director, Pricing and Institutional Operations

Title

8/31/05

Date

Otsuka America Pharmaceutical, Inc.

Signature

Steven P. Coboum

Name

Treasurer and Director, Corporate Finance

Title

08/25/05

Date

## ATTACHMENT A

## CONTRACTED PRODUCTS

### ABILIFY™
### (aripiprazole) Tablets and Oral Solution

| NDC NO. | ITEM NO. | PRODUCT DESCRIPTION |
|---|---|---|
| 59148-007-13 | 0007-13 | 5 mg tablet, bottle of 30 |
| 59148-007-35 | 0007-35 | 5 mg tablet, blister of 100 |
| 59148-008-13 | 0008-13 | 10 mg tablet, bottle of 30 |
| 59148-008-35 | 0008-35 | 10 mg tablet, blister of 100 |
| 59148-009-13 | 0009-13 | 15 mg tablet, bottle of 30 |
| 59148-009-35 | 0009-35 | 15 mg tablet, blister of 100 |
| 59148-010-13 | 0010-13 | 20 mg tablet, bottle of 30 |
| 59148-010-35 | 0010-35 | 20 mg tablet, blister of 100 |
| 59148-011-13 | 0011-13 | 30 mg tablet, bottle of 30 |
| 59148-011-35 | 0011-35 | 30 mg tablet, blister of 100 |
| 59148-012-15 | 0012-15 | 150 ml bottle, 1mg/1ml |

# SECOND AMENDMENT TO PHARMACEUTICAL AGREEMENT

This Second Amendment ("Amendment") is made effective January 4, 2005 by and between Los Angeles County ("County"), Otsuka America Pharmaceutical Inc. ("OAPI") and Bristol-Myers Squibb Company ("Supplier").

WHEREAS, County, OAPI and Supplier previously entered into a Pharmaceutical Agreement, effective October 14, 2004 ("Agreement"); and

WHEREAS, the parties hereto now mutually desire to amend, modify and restate certain terms and conditions of the Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and intending to be legally bound hereby, County, OAPI, and Supplier agree as follows:

1. **Attachment A.** The Agreement is hereby amended by replacing the former Attachment A ("Contracted Products") with the Attachment A ("Contracted Products") attached to this Amendment and incorporated herein by reference.

2. **Principles of Construction.** Whenever the terms or conditions of the Agreement and this Amendment are in conflict, the terms of this Amendment control. Except as specifically modified by the terms of this Amendment, all terms of the Agreement remain in full force and effect.

3. **Execution.** Authorized representatives of the parties have executed this Amendment as of the dates written below.

**Los Angeles County**

Signature

Arthur F. Schlichting, R.Ph.
Name

Director of Pharmacy Services
Title

January 9, 2006
Date

**Bristol-Myers Squibb Company**

Signature

Frank C. Marra, Jr.
Name

Director, Pricing and Institutional Operations
Title

3/27/06
Date

**Otsuka America Pharmaceutical, Inc.**

Signature

Steven P. Cobourn
Name

Treasurer and Director, Corporate Finance
Title

3/7/2006
Date

ATTACHMENT A
PRODUCTS

ABILIFY®
(aripiprazole)
(all strengths and formulations)

| NDC NO. | ITEM NO. | PRODUCT DESCRIPTION |
|---|---|---|
| 59148-006-13 | 0006-13 | 2 mg tablet, bottle of 30 |
| 59148-006-35 | 0006-35 | 2 mg tablet, blister of 100 |
| 59148-007-13 | 0007-13 | 5 mg tablet, bottle of 30 |
| 59148-007-35 | 0007-35 | 5 mg tablet, 10x10UD |
| 59148-008-13 | 0008-13 | 10 mg tablet, bottle of 30 |
| 59148-008-35 | 0008-35 | 10 mg tablet, blister of 100 |
| 59148-009-13 | 0009-13 | 15 mg tablet, bottle of 30 |
| 59148-009-35 | 0009-35 | 15 mg tablet, blister of 100 |
| 59148-010-13 | 0010-13 | 20 mg tablet, bottle of 30 |
| 59148-010-35 | 0010-35 | 20 mg tablet, blister of 100 |
| 59148-011-13 | 0011-13 | 30 mg tablet, bottle of 30 |
| 59148-011-35 | 0011-35 | 30 mg tablet, blister of 100 |
| 59148-013-15 | 0012-15 | 150 ml bottle, 1mg/1ml |
| 59148-640-23 | 0640-23 | DISCMELT, 10 mg tablet, blister of 30 |
| 59148-641-23 | 0641-23 | DISCMELT, 15 mg tablet, blister of 30 |
| 59148-016-65 | 0016- 65 | 9.75 mg/1.3 mL single dose vial |

ABILIFY™ (aripiprazole) is marketed by Otsuka America Pharmaceutical, Inc., Rockville, MD 20850 USA and Bristol-Myers Squibb Company, Princeton, NJ 08543 USA; manufactured by Otsuka Pharmaceutical Co., Ltd., Tokyo 101-8535 Japan or Bristol-Myers Squibb Company, Princeton, NJ 08542 USA; and distributed by Bristol-Myers Squibb Company, Princeton, NJ 08543.

Otsuka LNM

# THIRD AMENDMENT TO PHARMACEUTICAL AGREEMENT

This Third Amendment ("Amendment") is made effective October 1, 2006 by and between Los Angeles County ("County"), Otsuka America Pharmaceutical Inc. ("OAPI") and Bristol-Myers Squibb Company ("Supplier").

WHEREAS, County, OAPI and Supplier previously entered into a Pharmaceutical Agreement, effective October 14, 2004 ("Agreement"); and

WHEREAS, the parties hereto now mutually desire to amend, modify and restate certain terms and conditions of the Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and intending to be legally bound hereby, County, OAPI, and Supplier agree as follows:

1. Section 2 of the Agreement is deleted and replaced by the following:

   2. Term. This Agreement becomes effective as of October 14, 2004 (the "Effective Date") and continues until March 31, 2007 unless terminated earlier in accordance with the Termination section below.

2. **Attachment A.** The Agreement is hereby amended by replacing the former Attachment A ("Contracted Products") with the Attachment A ("Contracted Products") attached to this Amendment and incorporated herein by reference.

3. **Principles of Construction.** Whenever the terms or conditions of the Agreement and this Amendment are in conflict, the terms of this Amendment control. Except as specifically modified by the terms of this Amendment, all terms of the Agreement remain in full force and effect.

4. **Execution.** Authorized representatives of the parties have executed this Amendment as of the dates written below.

**Los Angeles County**

Wayland Chan
Signature

WAYLAND CHAN
Name

PHARMACY DIRECTOR
Title

3/21/07
Date

**Bristol-Myers Squibb Company**

Frank C. Marra Jr.
Signature

Frank C. Marra, Jr.
Name

Director, Pricing and Institutional Operations
Title

3/12/07
Date

**Otsuka America Pharmaceutical, Inc.**

Mukesh Patel
**Signature**

Mukesh Patel
Executive VP, Commercial Development & Planning

**Title**

5/8/07
**Date**

ATTACHMENT A
PRODUCTS

**ABILIFY®**
**(aripiprazole)**
**(all strengths and formulations)**

| NDC NO. | ITEM NO. | PRODUCT DESCRIPTION |
|---|---|---|
| 59148-006-13 | 0006-13 | 2 mg tablet, bottle of 30 |
| 59148-006-35 | 0006-35 | 2 mg tablet, blister of 100 – D Am. 4 |
| 59148-007-13 | 0007-13 | 5 mg tablet, bottle of 30 |
| 59148-007-35 | 0007-35 | 5 mg tablet, 10x10UD |
| 59148-008-13 | 0008-13 | 10 mg tablet, bottle of 30 |
| 59148-008-35 | 0008-35 | 10 mg tablet, blister of 100 |
| 59148-009-13 | 0009-13 | 15 mg tablet, bottle of 30 |
| 59148-009-35 | 0009-35 | 15 mg tablet, blister of 100 |
| 59148-010-13 | 0010-13 | 20 mg tablet, bottle of 30 |
| 59148-010-35 | 0010-35 | 20 mg tablet, blister of 100 |
| 59148-011-13 | 0011-13 | 30 mg tablet, bottle of 30 |
| 59148-011-35 | 0011-35 | 30 mg tablet, blister of 100 |
| 59148-013-15 | 0012-15 | 150 ml bottle, 1mg/1ml |
| 59148-640-23 | 0640-23 | DISCMELT, 10 mg tablet, blister of 30 |
| 59148-641-23 30 | 0641-23 | DISCMELT, 15 mg tablet, blister of |
| 59148-016-65 | 0016- 65 | 9.75 mg/1.3 mL single dose vial |

ABILIFY™ (aripiprazole) is marketed by Otsuka America Pharmaceutical, Inc., Rockville, MD 20850 USA and Bristol-Myers Squibb Company, Princeton, NJ 08543 USA; manufactured by Otsuka Pharmaceutical Co., Ltd., Tokyo 101-8535 Japan or Bristol-Myers Squibb Company, Princeton, NJ 08542 USA; and distributed by Bristol-Myers Squibb Company, Princeton, NJ 08543.

Otsuka
IND

# FOURTH AMENDMENT TO PHARMACEUTICAL AGREEMENT

This Fourth Amendment ("Amendment") is made effective April 1, 2007 by and between Los Angeles County ("County"), Otsuka America Pharmaceutical Inc. ("OAPI") and Bristol-Myers Squibb Company ("Supplier").

WHEREAS, County, OAPI and Supplier previously entered into a Pharmaceutical Agreement, effective October 14, 2004 ("Agreement"); and

WHEREAS, the parties hereto now mutually desire to amend, modify and restate certain terms and conditions of the Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and intending to be legally bound hereby, County, OAPI, and Supplier agree as follows:

1. Section 2 of the Agreement is deleted and replaced by the following:
   2. **Term.** This Agreement becomes effective as of October 14, 2004 (the "Effective Date") and continues until June 30, 2007 unless terminated earlier in accordance with the Termination section below.

2. **Attachment A.** The Agreement is hereby amended by replacing the former Attachment A ("Contracted Products") with the Attachment A ("Contracted Products") attached to this Amendment and incorporated herein by reference.

3. **Principles of Construction.** Whenever the terms or conditions of the Agreement and this Amendment are in conflict, the terms of this Amendment control. Except as specifically modified by the terms of this Amendment, all terms of the Agreement remain in full force and effect.

4. **Execution.** Authorized representatives of the parties have executed this Amendment as of the dates written below.

**Los Angeles County**

Signature

Name

Title

Date

**Bristol-Myers Squibb Company**

Signature
Alan Bauer

Name

Director, Pricing and Institutional Operations

Title

Date

**Otsuka America Pharmaceutical, Inc.**

Signature
Mukesh Patel

Name

Executive Vice President, Commercial Development and Planning

Title

Date

## ATTACHMENT A
## PRODUCTS

**ABILIFY®**
**(aripiprazole)**
**(all strengths and formulations)**

| NDC NO. | ITEM NO. | PRODUCT DESCRIPTION |
|---|---|---|
| 59148-006-13 | 0006-13 | 2 mg tablet, bottle of 30 |
| 59148-007-13 | 0007-13 | 5 mg tablet, bottle of 30 |
| 59148-007-35 | 0007-35 | 5 mg tablet, 10x10UD |
| 59148-008-13 | 0008-13 | 10 mg tablet, bottle of 30 |
| 59148-008-35 | 0008-35 | 10 mg tablet, blister of 100 |
| 59148-009-13 | 0009-13 | 15 mg tablet, bottle of 30 |
| 59148-009-35 | 0009-35 | 15 mg tablet, blister of 100 |
| 59148-010-13 | 0010-13 | 20 mg tablet, bottle of 30 |
| 59148-010-35 | 0010-35 | 20 mg tablet, blister of 100 |
| 59148-011-13 | 0011-13 | 30 mg tablet, bottle of 30 |
| 59148-011-35 | 0011-35 | 30 mg tablet, blister of 100 |
| 59148-013-15 | 0012-15 | 150 ml bottle, 1mg/1ml |
| 59148-640-23 30 | 0640-23 | DISCMELT, 10 mg tablet, blister of |
| 59148-641-23 | 0641-23 | DISCMELT, 15 mg tablet, blister of 30 |
| 59148-016-65 | 0016- 65 | 9.75 mg/1.3 mL single dose vial |

ABILIFY™ (aripiprazole) is marketed by Otsuka America Pharmaceutical, Inc., Rockville, MD 20850 USA and Bristol-Myers Squibb Company, Princeton, NJ 08543 USA; manufactured by Otsuka Pharmaceutical Co., Ltd., Tokyo 101-8535 Japan or Bristol-Myers Squibb Company, Princeton, NJ 08542 USA; and distributed by Bristol-Myers Squibb Company, Princeton, NJ 08543.

JANSSEN PHARMACEUTICA PRODUCTS, L.P.

## REBATE AGREEMENT BETWEEN

| CUSTOMER | | SUPPLIER | |
|---|---|---|---|
| Customer Name: LA County DMH | | Janssen Pharmaceutica Products, L.P. | |
| Street Address: 550 S. Vermont | | 425 Hoes Lane | |
| City, State: Los Angeles, CA 90020 | | Piscataway, New Jersey 08855-6800 | |
| Phone No: | 213 738 4725 | Phone No.: | (800) 814-9301 |
| Fax No: | 213 386 1297 | Fax No.: | (732) 562-7030 |
| Att: | Art Schlichting | Att: | Contract Administration |
| Effective Date: | January 1, 2005 | End Date: | December 31, 2007 |
| | | Supplier's Contract No.: | HCS |

## TABLE OF CONTENTS



## SUMMARY

**Agreement.** Under this Agreement, Supplier will pay Rebates to Customer for the Products listed on the Product List based upon the performance requirements herein. This Agreement supersedes all prior agreements between Customer and Supplier or any of its affiliates with respect to any of the Products covered herein and is comprised of the documents listed above in the Table of Contents.

**Janssen Pharmaceutica Products, L.P.** (hereinafter "Supplier") is a New Jersey Limited Partnership and a wholly-owned subsidiary of Johnson & Johnson, a New Jersey corporation.

**LA County DMH**, (hereinafter "Customer") is a California based governmental agency responsible for providing outpatient mental health services to Los Angeles County residents.

## DEFINITIONS

In this Agreement the following terms shall have the meanings assigned to them below whenever they are printed with initial capitalization.

**AWP** shall mean the Average Wholesale Price of a Drug on the first day of the relevant quarter as published in First Data Bank or other reliable reporting service selected by Supplier.

**Beneficiary** shall mean an individual who is covered by and eligible for Benefits under one of Customer's Plans.

**Benefit** shall mean a Drug reimbursement program under which Participating Providers dispense Products in accordance with one or more Formularies controlled by Customer.

**Claims Processor** shall mean an entity which does not manage or enforce a Formulary, or affect the selection and/or dispensing of Product but acts as a reporting body to a payor.

**Defined Product Market** shall mean the then current list of Drugs included in the therapeutic categories in which each Product competes as published and distributed every calendar quarter by Supplier.

**DLP** shall mean Distributor List Price. For purposes of Rebate calculation, DLP shall mean Distributor List Price in effect on the first day of the relevant calendar quarter.

**Drug** shall mean any pharmaceutical, whether manufactured by Supplier or by any third party. For purposes of this Agreement, "Drug" shall also mean Durable Medical Equipment.

**Formulary** shall mean a national or Plan-specific list of Drugs, which, in Customer's sole opinion, reflects the most appropriate Drug therapy, and which will be dispensed through the Participating Providers to Beneficiaries. This list is subject to periodic review and modification by the Customer or its Plans.

- An **Open Formulary** allows reimbursement for both Formulary and non-Formulary Drugs.
- A **Closed Formulary** limits reimbursement to those Drugs in the Formulary.

**Formulary Status** shall mean an award of a Drug on a national and/or Plan-specific Formulary as listed below. The therapeutic class shall be defined by Supplier's Defined Product Market for the affected Product. On any Formulary, with respect to a specific Drug:

- **Restricted Status** shall mean the Drug is reimbursed with limitations, e.g. with prior authorization, by specialists only, for selected indications or use in a step-care protocol.
- **Unrestricted Status** shall mean the Drug is reimbursed without limitations, e.g. with prior authorization, by specialists only, for selected indications or use in a step-care protocol.
- **Equal Status** shall mean the Drug competes against other Drugs on an equal basis, with all cost management controls and interventions being equal, for labeled indications.
- **Preferred Status** shall mean Equal Status plus the Drug is favored over all other Drugs also available.
- **Exclusive Status** shall mean Preferred Status plus the Drug is the ONLY Drug in its class reimbursed.

**Market Share Report** shall mean a report submitted to Supplier by Customer summarizing the utilization of each Product compared with the utilization of Drugs in the relevant Defined Product Market. This report will include all brands or generics within the therapeutic category. The Market Share Report shall be provided to Supplier in the then current version of the National Council For Prescription Drug Programs ("NCPDP") Standard Claims Billing Tape Format showing each prescription for a Product, and where applicable each prescription for Drugs dispensed by a Participating Provider to a Beneficiary for which Customer seeks a Rebate hereunder. .

**National Market Share** shall mean that share of the Products within the Defined Product Market category on a national basis as reported to Supplier by the independent entity IMS America.

- Except as noted below, National Market Share for a Product is calculated by dividing the sum total of Product total prescriptions (TRx), by the sum total of prescriptions (TRx) for all Drugs in the Defined Product Market.

**NDC** shall mean National Drug Code.

**Participating Provider** shall mean a mail order distribution center, a DME provider, or a licensed pharmacy under contract with Customer to provide Drugs, and/or other health management services to Beneficiaries pursuant to Plan and Benefit requirements.

**Plan** shall mean a collection of group or non-group Benefits managed by Customer and included on the List of Plans and Beneficiaries.

**Product** shall mean DME or a pharmaceutical manufactured, distributed or marketed by Supplier or any of its affiliates and included on the Product List.

**Product Market Share** shall mean the sum total of Product total prescriptions (TRx) to Beneficiaries for a quarter divided by the sum total of prescriptions (TRx) to Beneficiaries for all Drugs in the relevant Defined Product Market.

**"Rebate"** shall mean a retrospective reimbursement, based on the utilization of Products, to be paid or credited to Customer under this Agreement.

**Units Utilized** shall mean the number of units (e.g. tablets, grams, tubes) dispensed to Beneficiaries for a given period.

**Utilization Report** shall mean a report, of the Units Utilized of each Drug in the Defined Product Market, dispensed under Benefits to Beneficiaries, including all brands or generics within the therapeutic category. The Utilization Report shall be provided to Supplier in the then current version of the National Council For Prescription Drug Programs ("NCPDP") Standard Claims Billing Tape Format showing each prescription for a Product, and where applicable each prescription for Drugs dispensed by a Participating Provider to a Beneficiary for which Customer seeks a Rebate hereunder.

## REBATE TERMS

1. **Prices.** All Products eligible under this agreement shall be sold by Supplier to Distributors at the DLP in effect at the time of sale. Supplier may change the DLP of any Product at any time and from time-to-time.

2. **Rebate Eligibility**
   a. Supplier shall pay to Customer the Rebates described on the Rebate Schedule, with respect to each Product dispensed to a Beneficiary under a Benefit if and only if such Product is included on Formulary with Equal Status at minimum unless specifically provided otherwise herein.

   b. Failure to meet the performance requirements with respect to a specific Plan and/or Product shall not affect the Rebates otherwise payable with respect to other Plans and/or Products provided that all reports provided to Supplier, exclude the data, including Units Utilized of non-compliant Products, for any Plan and/or Product that is not in compliance with the terms and conditions of this Agreement.

3. **Changes to Defined Product Markets**
   a. Supplier retains the right to define or redefine any Defined Product Market based upon:
      i. the entry of a Drug into the market,
      ii. the removal/discontinuation of a Drug from the market,
      iii. a change in the indication of any Drug, or
      iv. a modification by Supplier of their view of competitive Drugs against which Supplier's Products compete.

   b. Any changes to Defined Product Markets will reflect Supplier's standard definition, rather than a specific definition with regard to Customer or this Agreement.

   c. If there is a change in a Product's Defined Product Market, Supplier shall provide Customer with the revised Defined Product Market at minimum 30 days before the start of the calendar quarter in which such change takes effect. Each quarterly revision of the Defined Product Market shall contain a summary of changes from the previous version.

4. **Rebate Policies**
   a. Rebates shall be paid on a calendar quarter basis, the first and last quarters may be less than a full calendar quarter.

   b. The aggregate Rebate for each calendar quarter shall be paid by Supplier to Customer for each calendar quarter within 60 days after receipt by Supplier of all reports from Customer for such quarter as required by the **Reports, Record Keeping and Audit** provision herein. Notwithstanding the previous sentence, calculation and payment of the first quarter's rebate may take longer due to initial loading requirements. Customer may provide baseline reports upon signing this Agreement to expedite this process.

   c. Supplier will provide a summary of the rebate calculations and the relevant National Market Share to Customer along with the rebate payment.

   d. Any Rebates paid on basis of Formulary Status or specific intervention shall be paid by Supplier after Customer has fulfilled such activity.

5. **Benefits and Beneficiaries Eligibility.** Rebates or any other form of incentives shall not be paid for transactions involving:
   a. Benefits provided or Beneficiaries residing outside of the fifty United States and the District of Columbia;
   b. Plans for which Customer acts as a Claims Processor only;
   c. Benefits provided on behalf of a Plan Sponsor where Customer does not develop, implement and control the formulary or Benefits delivered without a signed

formulary management agreement in place between Customer and the Plan sponsor.

d. Utilization by Beneficiaries for which Supplier is obligated to pay Rebates under prior agreements with commercial third parties or under any Federal or State government non-capitated benefit program including but not limited to Medicare or Medicaid, or

e. Claims for utilization submitted later than 180 days after the end of a calendar quarter.

6. **Reports, Record Keeping and Audit**

a. To allow Supplier to calculate the amount of Rebates, Customer shall submit reports to Supplier as specified in this section. The reports shall be transmitted by magnetic tape or electronic data transfer.

b. Customer shall provide Supplier with the following reports within 60 days after the end of each calendar quarter. Notwithstanding the foregoing, Customer is under no obligation to provide any confidential patient information to Supplier.

i. UTILIZATION REPORT,
ii. MARKET SHARE REPORT,
iii. LIST OF PLANS AND BENEFICIARIES in the format illustrated by the corresponding Exhibit.

c. All reports should be sent to:

***Johnson & Johnson Health Care Systems, Inc.***
*Attn: Contract Administration*
*425 Hoes lane*
*Post Office Box 6800*
*Piscataway, NJ 08855-6800*

d. Customer warrants the accuracy of all reports submitted pursuant to this Agreement and that Customer is in compliance with all interventional and formulary management requirements herein.

e. Customer must at all times maintain the computer systems capability to prepare the reports listed in this section and to accurately track the Beneficiary, Benefit, Product and Participating Provider information necessary to implement this Agreement.

f. During the term of this Agreement and for a period of three (3) years following the date of dispensing of Products by Participating Providers, Customer shall keep and maintain accurate records with respect to the dispensing of Products by Participating Providers reported by Customer pursuant to this Agreement.

g. Supplier shall have the right, upon reasonable notice and during regular business hours, to audit the Customer's books and records to determine the accuracy of all reports and claims submitted and compliance with this Agreement. Such audits shall be limited to one in any twelve-month period and any request for audit must be made not later than twenty-four months after the close of the contract year relevant to such report or claim.

7. **Own Use.** Customer warrants that all Products for which a Rebate will be claimed hereunder will be dispensed for use by Beneficiaries under Customer's Plan

## GENERAL PROVISIONS

1. **Changes in Products.** If the regulatory status of a Product changes, e.g. from "prescription" to "over-the-counter," then Supplier may delete that Product from the Product List by notice to Customer. Supplier may discontinue or modify any Product at any time.

2. **Term.** The term of this Agreement is set forth on the first page hereof. Either party may terminate this Agreement earlier by giving 30 days' notice to the other party. The provisions of these General Provisions shall survive termination of this Agreement.

3. **Notices.** Any notice given in connection with this Agreement shall be sufficient if in writing and delivered by messenger or sent by postage prepaid mail or by facsimile to the address of the recipient as set forth on the cover page to this Agreement or as changed by the recipient by notice given hereunder. Notices or communications shall be effective when received by or otherwise known to the recipient or its legal representative. This provision is not intended to be exclusive, and any notice actually received shall be sufficient.

4. **Entire Agreement.** This Agreement, including all of the sections and attachments listed in the Table of Contents, constitutes the entire agreement between the parties concerning the subject matter hereof and supersedes all prior negotiations, agreements and understandings between the parties, whether oral or in writing, concerning the subject matter hereof. This Agreement may be modified only by a writing signed by the party against whom such modification is asserted, provided that the terms of any purchase order, invoice or similar document used to implement this Agreement shall not modify and shall be subject to this Agreement.

5. **Assignment.** Neither party may assign this Agreement or any of its rights or obligations hereunder without the prior written consent of the other party. For purposes of this provision, assignment shall include any assignment by operation of law and any change in control of a party.

6. **Relationship of Parties.** The relationship of Customer to Supplier is that of independent contractor. This Agreement does not create a partnership, association, or other business entity. Neither party has the right to bind the other.

7. **No Third Party Beneficiaries.** Unless specifically provided elsewhere herein, nothing in this Agreement is intended to benefit any person or entity not a party hereto.

8. **Publicity.** Neither party shall permit or generate any publicity, advertising or promotion concerning this Agreement without the prior written consent of the other party.

9. **Confidentiality.** Neither party shall use information contained in this Agreement for any purpose not contemplated by this Agreement, and each party shall restrict access to this Agreement and to information exchanged hereunder to personnel within its organization who need such access in order to perform their duties.

10. **Legal Changes.** If any governmental entity shall enact or amend a law or adopt or amend a regulation, or if any governmental entity or court of competent jurisdiction shall adopt or amend an interpretation of a law or regulation, or if a judgment/award is rendered in litigation/arbitration, that has the effect of (a) prohibiting any right or obligation of a party under this Agreement, (b) making any such right materially less valuable or any such obligation materially more burdensome to a party, or (c) changing materially the economic conditions underlying any portion of this agreement, then such party may upon notice to the other party terminate immediately such right or obligation or portion of this Agreement insofar as such law, regulation or interpretation judgment or award applies.

11. **Force Majeure.** Noncompliance with any obligation under this Agreement for reasons of force majeure (such as: acts, regulations or laws of any government; war or civil commotion; destruction of production facilities or materials; fire, earthquake or storm; labor disturbances; failure of public utilities or common carriers; and any other causes beyond the reasonable control of the party affected) shall not constitute a breach of this Agreement.

12. **Utilization and Market Share Documentation.** Customer hereby warrants i) the accuracy of any reports provided to Supplier hereunder demonstrating compliance with utilization, market share or similar contractual requirements and ii) that it has the computer systems capability to accurately generate any such information necessary for the implementation of this Agreement.

13. **Audit.** Supplier shall have the right, upon reasonable notice and during regular business hours, to audit the books and records of Customer to determine whether Customer is in compliance with this Agreement. Such audits shall be limited to one in any twelve-month period and any request for audit must be made not later than twenty-four months after the close of the contract year relevant to such report or claim unless required to respond to a government request.

14. **Pricing and Discount Disclosure.**

    a. Customer is hereby advised that it is obligated to:

        i. fully and accurately disclose the cost of all Products purchased hereunder - including any discounts, rebates, or other price reductions - in cost reports or claims for reimbursement by Customer to Medicare, Medicaid, or other health care programs requiring such disclosure, and

        ii. provide such documentation to representatives of the Secretary of the Department of Health and Human Services and state agencies upon request.

    b. Unless noted otherwise, the value of any Product listed as $0.00 on any invoice may constitute a discount, which should also be evaluated by Customer when filing such reports.

    c. The value of any item, which is designated as or known to Customer to constitute a sample, should not be included as a discount for cost-reporting purposes and no reimbursement for such items should be sought from third party payers.

    d. Customer is strongly urged to retain this Agreement, invoices and any later documentation provided by Supplier regarding the existence and amounts of discounts, rebates, or other price reductions.

    e. Customer may request additional information from Supplier in order to meet its reporting or disclosure obligations by writing to the address in the introduction.

15. **No Set-Off.** Customer shall not deduct nor set-off from any of its payments under this Agreement amounts allegedly owed to Customer by Supplier or any of its affiliates.

16. **Severability.** If any part of this Agreement shall be determined to be invalid, illegal or unenforceable by any valid act of any legislature or by any regulation duly promulgated by the United States or a state acting in accordance with the law, or declared null and void by any court of competent jurisdiction, then such part shall be reformed, if possible, to conform to the law and, in any event, the remaining parts of this Agreement shall be fully effective.

17. **Direct Agreement.** This Agreement is being made directly between Supplier and Customer; not pursuant to any agreement with a GPO of which Customer may be a member. Accordingly Supplier shall not pay Administrative Fees to any GPO for any purchases made by Customer hereunder.

18. **Complete Agreement.** This Agreement shall not be considered complete and the time to calculate the Effective Date shall not begin until valid until all Exhibits hereto are complete and all required signatures as indicated below have been affixed.

19. **Dispute Resolution.** In the event of any controversy or claim arising out of or relating to this Agreement the parties shall first attempt to mediate the dispute using a professional mediator from the American Arbitration Association ("AAA") or a like organization selected by agreement or, absent agreement, through selection procedures administered by the AAA. Within a period of 45 days after the request for mediation, the parties shall convene with the mediator, with business representatives present, for at least one session to attempt to resolve the matter. In no event shall mediation delay commencement of arbitration for more than 45 days absent agreement of the parties or interfere with the availability of emergency relief. Any dispute not settled through mediation shall be resolved by arbitration before a single arbitrator in accordance with the AAA Commercial Arbitration Rules then pertaining (available at www.adr.org), except where those rules conflict with this provision, in which case this provision controls. Any court with jurisdiction shall enforce this clause and enter judgment on any award. The arbitrator shall be selected within twenty business days from commencement of the arbitration from the AAA's National Roster of Arbitrators pursuant to agreement or through selection procedures administered by the AAA. Within 45 days of initiation of arbitration, the parties shall reach agreement upon and thereafter follow procedures, including limits on discovery, assuring that the arbitration shall be concluded and the award rendered within no more than eight months from selection of the arbitrator or, failing agreement, procedures meeting such time limits shall be designed by the AAA and adhered to by the parties. The arbitration shall be held in New Jersey and the arbitrator shall apply the substantive law of New Jersey, except that the interpretation and enforcement of this arbitration provision shall be governed by the Federal Arbitration Act. Prior to commencement of arbitration, emergency relief is available from any court to avoid irreparable harm. The arbitrator shall not award punitive, exemplary, multiplied or consequential damages, or attorneys' fees or costs and each entity bound hereby irrevocably waives any right to seek such damages in arbitration or judicial proceedings.

## SIGNATURES

IN WITNESS WHEREOF the parties have caused this Agreement to be executed by their duly authorized officers or representatives.

| SUPPLIER | CUSTOMER |
| --- | --- |
| 12-16-04<br>Date | Date |
| ~~Robert D. Neusner~~ Patrick Adams<br>Director, Pricing & Customer Analytics | ~~Art Schlichting~~ Roderick Simien, MD<br>Medical Director<br>11-18-2004 |

## EXHIBIT A: REBATE SCHEDULE

The products included in the table below will be rebated according to the requirement outlined below. Supplier will reimburse Customer as follows if the Product is on formulary and is reimbursed by Plan. Market share is based on total prescriptions (TRx). Percentage rebates will be off current Distributor List Price. This agreement is for outpatient clinic sites only.

| | Criteria | Tier 1 | Tier 2 | Tier 3 | Tier 4 |
|---|---|---|---|---|---|
| RISPERDAL® | National Market Share + | NMS - 1.9 pts | 2.0 - 3.9 pts. | 4.0 - 6.9 pts. | ≥ 7 pts. |
| | Rebate % | 1% | 2% | 3% | 4% |

**PERFORMANCE REQUIREMENTS:**

- Total Rebates will not exceed 4%
- To be eligible for the rebates above, Risperdal shall be on formulary and not disadvantaged to any other atypical anti-psychotic.
- Customer shall not purchase Risperdal via any other contract, (e.g., CCS agreement, GPO, etc.)
- Customer has the ability to provide reports from their pharmacy processing system for rebate payment and audit purposes.
- Customer must communicate the formulary position of Risperdal to providers and members within 60 days of contract start date.

### GENERAL NOTES

1. A specific Rebate percent shall be associated with each Performance Tier, and such Rebate percent shall be earned by Customer upon Customer's performance meeting the conditions of such Performance Tier and all other applicable conditions in this Agreement.

2. Performance conditions are expressed as: points greater than National Market Share (NMS) unless stated otherwise. For example, a condition of "Points > NMS of 1.0 pts." shall mean the applicable Product Market Share must meet or exceed NMS by 1.0 pts. to qualify for Rebate during the specific quarter.

## EXHIBIT B: PRODUCT LIST

| NDC | Product | Generic Description | Strength | How Supplied | Selling Unit of Measure |
|---|---|---|---|---|---|
| 50458030250 | RISPERDAL | Risperidone | .50MG | TABLETS | BOTTLES |
| 50458030206 | RISPERDAL | Risperidone | .50MG | TABLETS | BOTTLES |
| 50458035006 | RISPERDAL | Risperidone | 4 MG | TABLETS | BOTTLE |
| 50458033050 | RISPERDAL | Risperidone | 3 MG | TABLETS | BOTTLE |
| 50458030006 | RISPERDAL | Risperidone | 1 MG | TABLETS | BOTTLE |
| 50458032050 | RISPERDAL | Risperidone | 2 MG | TABLETS | BOTTLE |
| 50458030050 | RISPERDAL | Risperidone | 1 MG | TABLETS | BOTTLE |
| 50458032001 | RISPERDAL | Risperidone | 2 MG | TABLETS | BOTTLE |
| 50458033006 | RISPERDAL | Risperidone | 3 MG | TABLETS | BOTTLE |
| 50458033001 | RISPERDAL | Risperidone | 3 MG | TABLETS | BOTTLE |
| 50458035001 | RISPERDAL | Risperidone | 4 MG | TABLETS | BOTTLE |
| 50458032006 | RISPERDAL | Risperidone | 2 MG | TABLETS | BOTTLE |
| 50458030001 | RISPERDAL | Risperidone | 1 MG | TABLETS | BOTTLE |
| 50458030150 | RISPERDAL | Risperidone | .25MG | TABLETS | BOTTLES |
| 50458030104 | RISPERDAL | Risperidone | .25MG | TABLETS | BOTTLES |
| 50458039528 | RISPERDAL | Risperidone | .5 MG - M | TABLETS | PACKAGE |
| 50458031528 | RISPERDAL | Risperidone | 1 MG - M | TABLETS | PACKAGE |
| 50458032528 | RISPERDAL | Risperidone | 2 MG - M | TABLETS | PACKAGE |
| 50458039530 | RISPERDAL | Risperidone | .5 MG - M | TABLETS | CARD |
| 50458031530 | RISPERDAL | Risperidone | 1 MG - M | TABLETS | CARD |
| 50458030503 | RISPERDAL | Risperidone | 1 MG/ML | ORAL SOLUTION | BOTTLE |

## EXHIBIT C: LIST OF PLANS AND BENEFICIARIES

In the LIST OF PLANS AND BENEFICIARIES data report, Customer shall provide Supplier with a current list of Plans and number of Beneficiaries in the following format:

| PLAN NAME | IDENTIFICATION (e.g. DEA#) | NEW PLAN (✓) | ADDRESS | TOTAL BENEFICIARIES FOR {PERIOD} |
|---|---|---|---|---|
| | | | | |

List the Plan(s) that have been terminated since last submission of report:

| PLAN NAME | IDENTIFICATION (e.g. DEA #) | ADDRESS | TOTAL BENEFICIARIES FOR {PERIOD} |
|---|---|---|---|
| | | | |

Exhibit V

Reimbursement Agreement between
Pfizer Inc and County of Los Angeles Department of Mental Health

As used herein, "you" means and its affiliates, doing business at 550 South Vermont Avenue, 9th floor, Los Angeles, CA 90020 and, "we, us or our" refers to Pfizer Inc and its affiliates. You are a Plan that delivers, or you sponsor Plans that deliver, Prescription Drug Benefits to Members. We want our prescription drug products to be available and included in coverage under those programs, and in order to meet price competition and other terms offered to you by our competitors seeking comparable treatment for their products, we agree to make reimbursements to you, all upon the terms and conditions recited hereinafter (the "Agreement"):

1. *Term*:

This Agreement will take effect on October 1, 2004 and, unless terminated as provided below, it will end on September 30, 2007 .

2. *Key Definitions*.

a) "Formulary" is a selection of pharmaceutical products in various therapeutic categories that is approved or recommended by you or a Plan for use in the management of Prescription Drug Benefits in Plans. A Formulary may be designed by you or a Plan for use by healthcare providers affiliated with Plans, but may also be directed to Pharmacies, Members or all of the above. "Plan Formulary" is a Formulary implemented by a Plan.

b) "Formulary Status" is the status of a Product on your Formulary or a Plan Formulary. The terms "Preferred" and "Exclusive" mean the Formulary Status of a Product as defined in Appendix B-3. "On Formulary" is the Formulary Status of a Product included in all Formulary listings or recommendations for its therapeutic class, for which a prescription will be reimbursed by a Plan, without restriction, and for which you and the Plan will not block the NDC for a Product, except as otherwise stated in Appendix B-3. A Product subject to the third tier or higher of a multi-tier co-pay system shall not be considered On Formulary, except as otherwise stated in Appendix B-3.

c) "List Price" is the price of the applicable Product as listed on our U.S. pharmaceuticals price list, as may be updated from time to time.

d) "Member" is any individual or dependent of such individual who is eligible for Prescription Drug Benefits under a Plan.

e) "New Product" is any new chemical entity promoted by Pfizer after the starting date of this Agreement. A New Product when added to Formulary will become a Product under the terms of this Agreement, pursuant to Section 5 below.

f) "Pharmacy" is a duly licensed pharmacy that is owned by you, or has entered into a direct or indirect contractual relationship with you or a Plan to provide pharmaceutical products and services to a Member.

g) "Plan" is a third party payor or a healthcare plan funding and having at least 51 percent of the financial risk for a program of Prescription Drug Benefits for Members. The financial risk is based upon all pharmaceutical products not limited to individual manufacturers or products and is based upon the aggregate for the Plan that management

services are provided. Plans included in this Agreement are the Plans that you sponsor which are listed in Appendix A, and you may add Plans to Appendix A subject to our approval.

h) "Prescription Drug Benefits" are the payment for or the provision of pharmaceutical products (or discounts for such products), included in or in association with health care benefits.

i) "Products" are our pharmaceutical products listed in Appendix B-1, all current and future dosage forms and strengths of such Products, any new indications and line extensions of such Products, and any New Products that are added to this Agreement. A Product listed on a Formulary but indicated as "Non-Formulary" or "Non-Preferred", or is listed with mandatory generic or therapeutic substitution, shall not be considered a Product.

j) "Unit" is, in the case of pharmaceutical products in solid dosage form, a single tablet or capsule; in the case of such products in ointment, cream, inhaler or sachet dosage form, a gram thereof; and in the case of such products in liquid dosage form, a milliliter thereof.

3. *Your Formulary Obligations*. In consideration of our entering into this Agreement with you, you agree to undertake the obligations set forth in this section. You will maintain all Products in the status provided in Appendix B-3 on each and every one of your Formularies. All your communications to Plan healthcare providers and Members shall be consistent with the requirements as agreed upon herein. Relative to other Products listed in the therapeutic categories set forth in Appendix B-2, which products are included on your Formularies, you shall not restrict or actively discourage the use of Products in any way or require prior authorization for their prescribing, except as expressly provided in Appendix B-3. Any cost designations you use shall fairly and accurately reflect cost differentiation between therapeutic agents based on actual cost of therapy. You will not enter into any agreements or arrangements which would adversely affect your ability to perform your obligations under this Agreement. You enforce your Formularies and Plan Formularies through medically appropriate controls developed by qualified professionals over prescribing practices that are in place to encourage physician and patient Formulary compliance. Such controls include at least one of the following: co-pay differentials between Formulary and non-formulary products, non-coverage of Prescription Drug Benefits for products that are, in the absence of medical necessity, non-formulary and non-covered, or financial or other incentives for Formulary compliance, or disincentives (financial or other disincentives for non-compliance) directed to Plan providers or Members.

4. *Representations and Warranties*.

a) You represent that you are the sole entity which collects reimbursements from us with respect to Plan utilization of our Products.

b) You represent and warrant to us that you will disclose to any party at risk for the cost of Products the existence of this Agreement and any reimbursements paid hereunder attributable to their utilization.

c) Both parties represent and warrant to each other that each party is, and covenants that all times relevant to and with respect to this Agreement each party will continue to be, in compliance with all applicable state and federal laws and regulations, including without limitation, the anti-kickback laws and regulations described in Section 16(a). You

represent and warrant that you are in compliance with other federal, state and local laws relating to drug product selection, consumer protection and disclosure to Plans and Members of the basis of your Formulary product selection, including the existence of this Agreement and other reimbursement agreements. Our calculation of rebates sent to you with any payment shall constitute notice to you of Product discounts which you may be obliged to report under 42 CFR 1001.951.

d) You represent that you have in place a system or process to audit Pharmacy dispensing, and in particular, the appropriate use of NDCs in reporting drug dispensing.

e) You represent that all products included in your Formularies have been approved by your Pharmacy and Therapeutic Committee ("P&T Committee"), and all your Formulary decisions and Formulary related communications to Plans and Members will be subject to good pharmacy and medical practice.

5. *New Products*. You will endeavor to complete such review within twelve months of the introduction of such New Product. If we wish a New Product to be added to this Agreement, we shall, in contemplation of the addition of such New Product, offer Formulary access and Performance reimbursements for such New Product. Both parties agree to negotiate in good faith the addition of New Products. New Products so added shall be subject to the parties' obligations with respect to Products set forth in this Agreement. Notwithstanding the foregoing provisions of this Section 5, you shall have no obligations if a New Product is in a therapeutic category that is not then covered by your benefit design.

6. *Information*. Prior to the commencement of this Agreement, you will supply us with copies of your Formularies and Plan Formularies currently in effect for each Plan listed on Appendix A. At the end of each calendar quarter, with each rebate submission during the term of this Agreement, you will supply us with updated copies of (a) your Formularies and Plan Formularies and (b) Appendix A (Plan list) (preferably by supplying us with a list of additions and deletions to the list previously in effect). You will also supply us with copies of any communications to Plan healthcare providers, Members or Pharmacies regarding the Products.

7. *Our Obligations*. In any calendar quarter, we will pay a reimbursement under Section 8 and/or Section 9, contingent upon the eligibility of Plan utilization under the requirements of each applicable Section and subject to the information requirements in Section 6, the exclusions in Section 11, and the data requirements of Section 14. If and when any A/B rated form of any Product is available and introduced into the marketplace, then any reimbursement for such Product attributable to any period following such introduction shall be payable only at our discretion.

8. *Formulary Access Reimbursement*. Any Formulary access reimbursement due will be calculated on an aggregate basis for each Product that occupies the status agreed upon in Appendix B-3, contingent upon all other Products being maintained, at a minimum, On Formulary (or in the status agreed upon in Appendix B-3) and achieving the applicable market share set forth in Appendix B-3 ("Formulary Access Reimbursement"). The Formulary Access Reimbursement will be determined by (1) our per-Unit List Price of each Unit of Product dispensed at the 11-digit NDC in effect on the first calendar day of the calendar quarter in which such dispensing occurred times (2) the Applicable Percentage for such Product, as such Applicable Percentage is determined under Section 10 below and set forth in Appendix B-3, Formulary Access Reimbursement, times (3) the number of Units of such Product dispensed.

9. *Performance Reimbursement*. Any reimbursement due for market share performance will be calculated on an aggregate basis for each Product that occupies the status agreed upon in Appendix B-3, contingent upon all other Products being maintained, at a minimum, On Formulary (or in the status agreed upon in Appendix B-3) ("Performance Reimbursement"). Such Performance Reimbursement shall be determined by (1) our per Unit List Price of each Unit of Product dispensed at the 11-digit NDC in effect on the first calendar day of the calendar quarter in which such dispensing occurred times (2) the Applicable Percentage for such Product, as such Applicable Percentage is determined under Section10 below and Appendix B-3, Performance Reimbursement times (3) the number of Units of such Product dispensed.

10. *Applicable Percentage.*

a) In any particular calendar quarter, a Product's "Applicable Percentage" will be determined as follows: (1) The number of prescriptions of Product dispensed will be divided by the total number of prescriptions dispensed of all products (including the Product) in the relevant therapeutic category (as defined on Appendix B-2). The quotient will be defined as the "Share" for such Product in that calendar quarter; (2) For each Product, Appendix B-3 contains a table showing, for any Share actually achieved by the Product, the Applicable Percentage to be used in calculating any reimbursement under Section 8 or 9 for that Product for that calendar quarter.

b) During the term of this Agreement, if a new branded therapeutic agent (including without limitation a new branded combination therapeutic agent) is introduced into a therapeutic category set forth in Appendix B-2, we reserve the right to unilaterally amend such category to include such product. If such amendment is made, we will notify you in writing of such amendment. Any other revision to a therapeutic category shall be by mutually agreed upon amendment to this Agreement.

c) The Shares shown in the tables on Appendix B-3 applicable to the Performance Reimbursement shall apply during the first twelve-month period of this Agreement (the "Contract Year"). At the beginning of each subsequent Contract Year, the United States share for a Product, as set out in the national prescription audit, during the most recently available calendar quarter ("Current National Share") shall be divided by the United States share of such Product during the corresponding calendar quarter in the preceding Contract Year ("Base National Share"). This ratio shall be known as the "Change in National Share". The Shares shall be multiplied by the Change in National Share.

11. *Exclusions*. We will not pay you a reimbursement for any Product under Section 8 and 9 for any calendar quarter in which you do not meet the minimum performance baseline, as set out in Appendix B-3, or for any dispensing (a) unless you can verify that Units of Product dispensed (1) were dispensed to Members of Plans listed in Appendix A; (2) do not include any dispensing subject to payment by another third party payor subject to reimbursement by us; (3) were not dispensed in a Plan for which all or part of utilization is reimbursed on a Unit basis, by any State or Federal governmental programs such as Medicaid; and (4) are not dispensed on behalf of Plans located outside the United States and its territories; (b) unless you or the Plan on whose behalf reimbursement is sought maintained some financial risk for the Units of Product dispensed; and (c) unless you can verify that all contracted Products were available to Members as follows: (1) no Product NDC code was blocked; (2) no Product use was actively discouraged by you or the Plan; and (3) no prior authorization was required for Plan reimbursement for the Product, except as specifically set forth in Appendix B-3.

12. *Payment Cap*. Notwithstanding anything else in this Agreement (or its Appendices), the aggregated payment of reimbursements under Sections 8 and 9 on any unit of Product dispensed (combined with any other payment, discount, or guarantee on that unit of Product) shall never exceed the lesser of 15% of the List Price or the minimum reimbursement required by the federal Medicaid statute (42 USC 1396r-8) in effect at that time, except as specifically set forth in Appendix B-3.

13. *Access Obligations*. If you give our competitors' representatives access to formulary designers and managers (including P&T Committees), physicians, pharmacists and other healthcare providers in your organization or in the Plans, you agree to give our representatives access on no less favorable terms (including the location, frequency and duration of that access) than the terms you give to our competitors and you agree to encourage the Plans to afford us such access. You will supply us with current copies of any guidelines in effect at each of your Plans regarding access for our representatives.

14. *Data Requirements; Audit*

a) Within sixty (60) days of the end of each calendar quarter, you will supply us with the specific documentation requested in Sections 6, 8, 9, Appendix A, and the relevant dispensing data in the form as outlined in Appendix C, with respect to Products and all competing products (as defined in Appendix B-2) dispensed to Members during such calendar quarter, along with your estimate of the reimbursement due, if any, for dispensing which meet the requirements of Sections 8 and/or 9. If no utilization for a competing product (as defined in Appendix B-2) exists, you shall report the zero utilization. You shall provide the utilization data in a computer-readable form utilizing the flat file format of the most currently approved version of the NCPDP Manufacturer Rebates Standard. Product utilization and competitive market share information shall be reported in two levels: for all Plans in the aggregate, and on a Plan-by-Plan basis. We will pay you reimbursements only if you supply such documentation and data. We have the option to refuse payment if the data reported is (1) received by us more than 12 months after the end of the calendar quarter for which such data relates, (2) a correction for a calendar quarter for which you have previously submitted two corrections, or (3) deemed to be inaccurate or not independently verifiable. Within 60 days of our receipt of the completed Appendix C and other required documentation, we will pay you by check or electronic transfer any reimbursement that we calculate is owed to you based on verified volumes, using the formulae shown in Sections 8, 9 and 10 and the Appendices. The utilization data and documentation described herein shall be sent to the attention of Janet Czarnecki, NDC Health Information Services, 2394 East Camelback Road, Phoenix, AZ 85016 (602) 381-9875. We (or our designated agents) reserve the right to validate prescription level data prior to calculation of reimbursement. If we dispute any portion of the utilization data, we may withhold payment of the reimbursement for the disputed portion of the utilization data until the dispute is resolved. We shall notify you of any dispute, and the parties shall work in good faith to resolve such dispute.

b) Within 60 days after you sign this Agreement, you will supply us with documentation showing the volumes of relevant dispensing from your Plans during the latest calendar quarter before this Agreement took effect. Such volumes will not be subject to any payments under this Agreement, but we need those data to help us evaluate dispensing trends during the term of this Agreement.

c) During the term of this Agreement and for a period of three (3) years thereafter, or such longer period as may be required by law, we (or our designated agents) shall have the right, not more than annually, at our expense and upon not less than thirty (30) days prior written notice to you, to inspect and copy the records, data and documentation (at your principal office or at the offices of Plans) necessary to verify the accuracy of the information underlying any payment by us to you. The scope of any audit shall include, but not be limited to: proof of Member eligibility and enrollment in a Plan; verification of Plan and applicability of Plan and its Members to this Agreement; Product-related communications to Plans and Plan physicians, Pharmacies and Members; Pharmacy edits, interventions and DUR programs. During the term of this Agreement and for a period of three (3) years thereafter, or such longer period as may be required by law, you shall maintain and/or cause the Plans to maintain complete and accurate books, records, and files regarding the dispensing of Products by Pharmacies to Members of Plans. In addition, you will provide auditors access to all processes, procedures, data, and systems to assure that reimbursements made by us pursuant to this Agreement were made in accordance with you fulfilling all of your obligations and all of the terms and conditions as set forth in this Agreement, and that the claims submitted for reimbursement are accurate and non-duplicative. It is understood that patient confidentiality prohibits you from furnishing us the name or other identifying information of any Member. If any audit by us discloses that all or any part of any payment by us was not required or that data accuracy cannot be substantiated for whatever reason, in our sole discretion, you shall refund to us such overpayment within thirty (30) days of being notified by us, or at our option, such overpayment shall be credited against amounts subsequently due hereunder.

15. *Confidentiality*. We, our designated agents and you shall maintain in strict confidence and not disclose the terms of this Agreement, information concerning either party's performance under it, and any other information related to this Agreement (collectively, "Confidential Information"), to any other party for any purpose whatsoever except: (1) as set forth in this Agreement, (2) as required by your disclosure obligations to Plans, (3) as mandated by law or legal process. Notwithstanding the foregoing, nothing contained herein shall prevent you from complying with the guidelines of the American Association of Health Plans (AAHP) or any applicable laws, regulations or policies which obligate you to disclose information about healthcare and Prescription Drug Benefit coverage to Members. The parties' duty of confidentiality shall extend for five (5) years following the expiration or termination of this Agreement. Each party shall comply with all applicable state and federal laws and regulations regarding the privacy of patient information and patient confidentiality rights.

16. *Termination*.

a) A non-breaching party may terminate this Agreement (1) if the other party has breached any of its obligations under this Agreement and has failed to cure such breach within 30 days after the non-breaching party gives written notice of such breach; (2) either party may terminate this Agreement upon immediate written notice if this Agreement, or any performance by the other party under it, fails to comply in all respects with any applicable federal or state law, including the anti-kickback statute or regulations (i.e. 42 USC Section 1320a-7b(b), 42 CFR Section 1001.951 et, al, and the managed care "safe harbor" regulations published by the Department of Health and Human Services in 56 Fed. Reg. 35953, 57 Fed. Reg. 52723, and 58 Fed. Reg. 49008, as the same may be amended, supplemented or replaced) and similar state laws.

b) If any existing law or regulation is changed, or if any new law or regulation is promulgated, or if there is made any new or changed interpretation of any law or regulation, and the effect of such new or changed law or regulation or interpretation, in conjunction with this Agreement, would materially affect either party's business, pricing policies or the manner in which either party does business (including among such effects a requirement that we give to others any benefit given to you under this Agreement), then either party may terminate this Agreement.

c) Either party shall have the right to terminate this Agreement unilaterally on written notice to the other, effective immediately, if the other party undergoes a change of ownership or control or is merged with another entity, and such other party is not the surviving entity; provided, however, that such right to terminate must be exercised within six months of such merger or change in control.

d) If we terminate because of your breach, you will not be entitled to any payment under this Agreement for the calendar quarter in which such breach occurred or any subsequent period. If we have already paid you any amount for such quarter or any subsequent period, you will promptly repay it to us.

17. *General Provisions*.

a) All Appendices are incorporated in and made a part of this Agreement. This Agreement, together with its Appendices, represents the entire understanding and agreement between you and us regarding its subject matter, and it supersedes any other agreement previously in effect between us regarding that subject matter. Except as expressly stated elsewhere in this Agreement, this Agreement (including the Appendices) may not be amended or modified except by duly executed written agreement of the parties.

b) Unless terminated by the other party pursuant to Section 16(c), this Agreement shall inure to the benefit of and be binding on the successors and assigns of a party succeeding to the business covered by this Agreement.

c) This Agreement will be governed by and construed in accordance with the laws of the State of New York, without giving effect to its choice of law provisions.

d) The failure of either party to insist upon the strict observation or performance of any provision of this Agreement, or to exercise any right or remedy, shall not impair or waive any such right or remedy in the future. Every right and remedy given by this Agreement to the parties may be exercised from time to time as often as appropriate.

e) If any provision of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be impaired thereby, and such remaining provisions shall continue to be valid, binding and enforceable.

f) None of the provisions contained herein is intended by the parties, nor shall any provision be deemed, to confer any benefit on any person not a party to this Agreement.

g) Neither party shall use any patented, tradenamed, trademarked, or copyrighted material or property belonging to the other party, except as expressly permitted by this Agreement or otherwise in writing by the other party.

h) The parties acknowledge and agree that the arrangement contemplated by this Agreement has been negotiated at arms length and separate and apart from any other relationship (past, present or future) between the parties.

i) Nothing in this Agreement shall be construed to limit or restrict our right to discontinue the manufacture, licensing, sale or distribution of the Products at any time. In such event, this Agreement, as it relates to such Product, shall terminate contemporaneously with such discontinuance of manufacture, licensing, sale or distribution, and neither party shall have any obligation to the other for any period following such termination.

j) No party shall be liable for any failure to perform or any delays in performance, and no party shall be deemed to be in breach or default of its obligations set forth in this Agreement, if, to the extent, and for as long as such failure or delay is due to any causes that are beyond its reasonable control, including, without limitation, such causes as acts of God, fire, flood, severe storm, earthquake, civil disturbance, lockout, riot, order of any court or administrative body, embargo, acts of government, war (whether or not declared), acts of terrorism, or other similar causes ("Force Majeure Event"). In the event of a Force Majeure Event, the party prevented from or delayed in performing shall promptly give written notice to the other party and shall use commercially reasonable efforts to avoid or minimize the delay.

k) This Agreement may not be assigned or otherwise transferred by any party without the consent of the other party, such consent not to be unreasonably withheld, conditioned or delayed; *provided, however,* that either party may, without such consent, assign its rights and obligations under this Agreement to any affiliate, provided such interest shall be retransferred to the relevant party if such entity ceases to be an affiliate of such party, and provided further that the assigning party shall guarantee the performance of such affiliate.

l) The parties have participated jointly in the negotiation and drafting of this Agreement. In the event that an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

If you are in agreement with the foregoing, please cause your authorized representative to execute and return to us the attached counterpart of the Agreement, whereupon it will become a binding agreement between us.

Pfizer Inc

By: Michael McGinn 10-8-04
Name Date

Sr. Director, Contracts
Title

Accepted and Agreed to :

By: 10/7/2004
Name Date

MEDICAL DIRECTOR
Title

# Appendix A

List of all plans served by

| Plan Name | Address | Membership | Type of Plan (IPA, Staff, PPO, Employer, etc.) | Formulary Name | Nature of Pharmacy Management Services |
|---|---|---|---|---|---|

# Appendix B-1

Geodon
Zoloft

Appendix B-2
Therapeutic Categories
(page 1 of 1)

| Therapeutic Category | Products[1] | Products[1] |
|---|---|---|
| **Antidepressants** | Zoloft/Zoloft S | Paroxetine |
| | Celexa/Celexa S | Paxil/Paxil CR/Paxil S |
| | Fluoxetine/Fluoxetine S | Pexeva |
| | Fluvoxamine | Prozac/Prozac S |
| | Lexapro/Lexapro S | Prozac Weekly |
| | Luvox | Sarafem |

| Therapeutic Category | Products[2] | Products[1] |
|---|---|---|
| **Antipsychotic** | Geodon | |
| | Abilify | |
| | Clozapine | |
| | Clozaril | |
| | Fazaclo | |
| | Risperdal/Rispersal S | |
| | Seroquel | |
| | Zyprexa | |
| | Zyprexa Zydis | |

[1]Includes all branded and generic versions of products (including products added pursuant to Section 10(b)), in all dosage forms, by whomever sold, including sustained-release as well as immediate-release products and combination products containing any active pharmaceutical ingredient in the above listed products.

[2]Includes all branded and generic versions of products (including products added pursuant to Section 10(b)), in all dosage forms, by whomever sold, including sustained-release as well as immediate-release products and combination products containing any active pharmaceutical ingredient in the above listed products.

Appendix B-3 (page 1 of 2)

**GEODON**

Formulary Access Reimbursement

| Share | On Formulary |
|---|---|
| Share >= 5% | 6% |

Performance Reimbursement

| Share | On Formulary |
|---|---|
| Share < 6% | 0% |
| 6% <= Share < 7% | 1% |
| 7% <= Share < 8% | 3% |
| 8% <= Share < 9% | 5% |
| 9% <= Share < 10% | 7% |
| 10% <= Share | 9% |

The combined Formulary Access and Performance Reimbursement for any Product is subject to the payment cap set forth in Section 12.

## ZOLOFT

Formulary Access Reimbursement

| Share | On Formulary |
|---|---|
| Share >= 25% | 6% |

Performance Reimbursement

| Share | On Formulary |
|---|---|
| Share < 27% | 0% |
| 27% <= Share < 28% | 1% |
| 28% <= Share < 29% | 3% |
| 29% <= Share < 30% | 5% |
| 30% <= Share < 31% | 7% |
| 31% <= Share | 9% |

# Appendix C
## Pfizer Reimbursement Program
## NCPDP Standard Reporting Format*

* The contracting organization is required to provide the utilization data in the current NCPDP Standard Reporting Format, with the following minimum mandatory data requirements:

- Plan ID
- NCPDP Provider ID (NABP Number)
- NDC
- Fill Date
- Rx Number
- Quantity
- Plan Reimbursement Amount
- Patient Liability Amount (Copay)
- Days Supply

**Los Angeles County Department of Mental Health**
**and Eli Lilly and Company**
**Business Agreement**
**2nd Amendment**

The Business Agreement between Los Angeles County Department of Mental Health and Eli Lilly and Company ("Lilly"), effective January 1, 2006 through April 30, 2007 (the "Agreement"), and amended effective June 1, 2006, is hereby amended as follows:

- Effective April 30, 2007 except as specifically provided herein, the terms contained in the Agreement shall have legal force and effect with respect to the purchase of Products (see attached Exhibit B) described in this agreement for the time period of May 1, 2007 through April 30, 2010.

- To be valid this 2nd Amendment must be executed by Los Angeles County Department of Mental Health and returned to Lilly postmarked no later than April 15, 2007 (if this 2nd Amendment is received by Lilly after such date, Lilly has the sole option to enter into this 2nd Amendment and make it binding upon the parties).

All other terms and conditions of the Agreement as amended, shall remain unchanged and in full force and effect.

| Los Angeles County Department of Mental Health | ELI LILLY AND COMPANY |
|---|---|
| _____ | _____ |
| (Signature) | (Signature) |
| _____ | _____ |
| (Name and Title) | (Name and Title) |
| _____ | _____ |
| (Date) | (Date) |

**Los Angeles County Department of Mental Health**
**and Eli Lilly and Company**
**Business Agreement**

Exhibit B - Formulary Status

Equal Status and Unrestricted Access

| Product or Product Class | Status | Price |
|---|---|---|
| Zyprexa | Equal Status and Unrestricted Access | 13% rebate* |
| Cymbalta | Equal Status and Unrestricted Access | 8% rebate* |

The Products covered by this Agreement are as follows:

| Item Description | NDC # | Unit Size/Strength | Quantity |
|---|---|---|---|
| Zyprexa | 0002-4112-30 | OLANZAPINE 2.5MG | 30 |
| | 0002-4112-60 | OLANZAPINE 2.5MG | 60 |
| | 0002-4112-33 | OLANZAPINE 2.5MG | ID100 |
| | 0002-4112-04 | OLANZAPINE 2.5MG | 1000 |
| | 0002-4115-30 | OLANZAPINE 5MG | 30 |
| | 0002-4115-60 | OLANZAPINE 5MG | 60 |
| | 0002-4115-33 | OLANZAPINE 5MG | ID100 |
| | 0002-4115-04 | OLANZAPINE 5MG | 1000 |
| | 0002-4116-30 | OLANZAPINE 7.5MG | 30 |
| | 0002-4116-60 | OLANZAPINE 7.5MG | 60 |
| | 0002-4116-33 | OLANZAPINE 7.5MG | ID100 |
| | 0002-4116-04 | OLANZAPINE 7.5MG | 1000 |
| | 0002-4117-30 | OLANZAPINE 10MG | 30 |
| | 0002-4117-60 | OLANZAPINE 10MG | 60 |
| | 0002-4117-33 | OLANZAPINE 10MG | ID100 |
| | 0002-4117-04 | OLANZAPINE 10MG | 1000 |
| | 0002-4415-30 | OLANZAPINE 15MG | 30 |
| | 0002-4415-60 | OLANZAPINE 15MG | 60 |
| | 0002-4415-33 | OLANZAPINE 15MG | ID100 |
| | 0002-4415-04 | OLANZAPINE 15MG | 1000 |
| | 0002-4420-30 | OLANZAPINE 20MG | 30 |
| | 0002-4420-60 | OLANZAPINE 20MG | 60 |
| | 0002-4220-33 | OLANZAPINE 20MG | ID100 |
| | 0002-4220-04 | OLANZAPINE 20MG | 1000 |
| Zyprexa Zydis | 0002-4453-85 | OLANZAPINE 5MG | Dose Pack 30 |
| | 0002-4454-85 | OLANZAPINE 10MG | Dose Pack 30 |
| | 0002-4455-85 | OLANZAPINE 15MG | Dose Pack 30 |
| | 0002-4456-85 | OLANZAPINE 20MG | Dose Pack 30 |
| Zyprexa IM | 0002-7597-01 | OLANZAPINE 10MG per 1vl | 10mg/vl |
| Cymbalta | 0002-3235-60 | DULOXETINE 20MG | 60 |
| | 0002-3240-30 | DULOXETINE 30MG | 30 |
| | 0002-3240-33 | DULOXETINE 30MG | ID100 |

| | | |
|---|---|---|
| 0002-3237-30 | DULOXETINE 60MG | 30 |
| 0002-3237-33 | DULOXETINE 60MG | ID100 |

*NOTE 1: Rebate will be calculated based on Institution's total purchases of each individual Product at Net Wholesale Price. Net Wholesale Price is subject to change solely at Lilly's discretion. The rebate payment due shall be equal to the quarterly total sales calculated at NWP, multiplied by the eligible rebate amount set forth above. The rebate period will be on a three (3) month (quarterly) basis throughout the duration of the agreement.

**Los Angeles County Department of Mental Health**
**and Eli Lilly and Company**
**Business Agreement**

## EXHIBIT C

## ANTIPSYCHOTIC THERAPEUTIC GROUP

| Product | Strength | Package Size | Unit (PU, ML) | Dose |
|---|---|---|---|---|
| Zyprexa Tablets | 2.5 mg | All | 1 tab | Q.D. |
| | 5 mg | All | 1 tab | Q.D. |
| | 7.5 mg | All | 1 tab | Q.D. |
| | 10 mg | All | 1 tab | Q.D. |
| | 15 mg | All | 1 tab | Q.D. |
| | 20 mg | All | 1 tab | Q.D. |
| Zyprexa IM | 10 mg | All | 1 ml | Q.D |
| Zyprexa Zydis | 5 mg | All | 1 tab | Q.D. |
| | 10 mg | All | 1 tab | Q.D. |
| | 15 mg | All | 1 tab | Q.D. |
| | 20 mg | All | 1 tab | Q.D. |
| Symbyax Pulvules | 6 mg/25 mg | All | 1 pu | Q.D. |
| | 6 mg/50 mg | All | 1 pu | Q.D. |
| | 12 mg/25 mg | All | 1 pu | Q.D. |
| | 12 mg/50 mg | All | 1 pu | Q.D. |
| Abilify Tablets | 5 mg | All | 1 tab | Q.D. |
| | 10 mg | All | 1 tab | Q.D. |
| | 15 mg | All | 1 tab | Q.D. |
| | 20 mg | All | 1 tab | Q.D. |
| | 30 mg | All | 1 tab | Q.D. |
| | 40 mg | All | 1 tab | B.I.D. |
| | 60 mg | All | 1 tab | B.I.D. |
| | 80 mg | All | 1 tab | B.I.D. |
| Depakote Tablets | 125 mg | All | 1 tab | T.I.D. |
| | 250 mg | All | 1 tab | T.I.D. |
| | 500 mg | All | 1 tab | T.I.D. |
| Depakote ER Tablets | 250 mg | All | 1 tab | B.I.D. |
| | 500 mg | All | 1 tab | B.I.D. |
| Depakote Sprinkles | 125 mg | All | 1 cap | T.I.D. |
| Depakene Capsules | 250 mg | All | 1 cap | T.I.D. |
| Depakene Liquid | 250 mg/5 ml | All | 1 ml | T.I.D. |
| Eskalith Capsules | 300 mg | All | 1 cap | T.I.D. |
| Eskalith CR Tablets | 450 mg | All | 1 tab | T.I.D. |
| Geodon Tablets | 20 mg | All | 1 tab | B.I.D. |
| | 40 mg | All | 1 tab | B.I.D. |
| | 60 mg | All | 1 tab | B.I.D. |
| | 80 mg | All | 1 tab | B.I.D. |
| Geodon IM | 20 mg/1 ml | All | 1 ml | Q.D. |
| Haldol IM | 5 mg/1 ml | All | 1 ml | B.I.D. |
| | 50 mg/1 ml | All | 1 ml | B.I.D. |

| Product | Strength | Package Size | Unit (PU, ML) | Dose |
|---|---|---|---|---|
| | 100 mg/1 ml | All | 1 ml | B.I.D. |
| Haloperidol Tablets | .5 mg | All | 1 tab | B.I.D. |
| | 1 mg | All | 1 tab | B.I.D. |
| | 2 mg | All | 1 tab | B.I.D. |
| | 5 mg | All | 1 tab | B.I.D. |
| | 10 mg | All | 1 tab | B.I.D. |
| | 20 mg | All | 1 tab | B.I.D. |
| Haloperidol Liquid | 2 mg/1 ml | All | 1 ml | B.I.D. |
| Haloperidol IM | 5 mg/1 ml | All | 1 ml | B.I.D. |
| Haloperidol Dec IM | 50 mg/1 ml | All | 1 ml | Q28D |
| | 100 mg/1 ml | All | 1 ml | Q28D |
| Lamictal Tablets | 25 mg | All | 1 tab | Q.D. |
| | 100 mg | All | 1 tab | Q.D. |
| | 150 mg | All | 1 tab | Q.D. |
| | 200 mg | All | 1 tab | Q.D. |
| Lithobid Tablets | 300 mg | All | 1 tab | T.I.D. |
| Lithium Carbonate Capsules | 150 mg | All | 1 cap | T.I.D. |
| | 300 mg | All | 1 cap | T.I.D. |
| | 600 mg | All | 1 cap | T.I.D. |
| | 300 mg | All | 1 tab | T.I.D. |
| Lithium Carbonate CR Tablets | 450 mg | All | 1 tab | B.I.D |
| Lithium Citrate Liquid | 300mg/5ml | All | 5 ml | T.I.D. |
| Risperdal Tablets | 0.25 mg | All | 1 tab | B.I.D. |
| | 0.5 mg | All | 1 tab | B.I.D. |
| | 1 mg | All | 1 tab | B.I.D. |
| | 2 mg | All | 1 tab | B.I.D. |
| | 3 mg | All | 1 tab | B.I.D. |
| | 4 mg | All | 1 tab | B.I.D. |
| Risperdal Liquid | 1 mg/ml | All | 1 ml | B.I.D. |
| Risperdal M-Tab | 0.5 mg | All | 1 tab | B.I.D. |
| | 1 mg | All | 1 tab | B.I.D. |
| | 2 mg | All | 1 tab | B.I.D. |
| Risperdal Consta | 25 mg/2 ml | All | 1 ml | Q14D |
| | 37.5 mg/2 ml | All | 1 ml | Q14D |
| | 50 mg/2 ml | All | 1 ml | Q14D |
| Seroquel Tablets | 25 mg | All | 1 tab | B.I.D. |
| | 100 mg | All | 1 tab | B.I.D. |
| | 200 mg | All | 1 tab | B.I.D. |
| | 300 mg | All | 1 tab | B.I.D. |
| Seroquel Liquid | 50 mg/2 ml | All | 2 ml | B.I.D |
| Valproic Acid Capsules | 250 mg | All | 1 cap | T.I.D. |
| Valproic Acid Liquid | 250mg/5 ml | All | 1 ml | T.I.D. |

EXHIBIT C WILL BE UPDATED TO INCLUDE ANY NEW FDA APPROVED COMPETITIVE PRODUCT UPON WRITTEN NOTICE TO INSTITUTION EFFECTIVE THE FOLLOWING CALENDAR QUARTER AFTER NOTICE.

**Los Angeles County Department of Mental Health**
**and Eli Lilly and Company**
**Business Agreement**

## EXHIBIT C

## ANTI-DEPRESSANT THERAPEUTIC GROUP

| Product | Strength | Package Size | Unit (PU, ML) | Dose |
|---|---|---|---|---|
| Bupropion | 100mg | All | 1.0 tab | T.I.D. |
| | 75mg | All | 1.0 tab | T.I.D. |
| Celexa | 20 mg | All | 1.0 tab | Q.D. |
| | 40 mg | All | 1.0 tab | Q.D. |
| | 10 mg/5 ml | All | 1.0 ml | Q.D. |
| Cymbalta | 20 mg | All | 1.0 cap | Q.D. |
| | 30 mg | All | 1.0 cap | Q.D. |
| | 60 mg | All | 1.0 cap | Q.D. |
| Effexor | 25 mg | All | 1.0 tab | T.I.D. |
| | 37.5 mg | All | 1.0 tab | B.I.D. |
| | 50 mg | All | 1.0 tab | T.I.D. |
| | 75 mg | All | 1.0 tab | B.I.D. |
| | 100 mg | All | 1.0 tab | B.I.D. |
| | 150 mg | All | 1.0 tab | B.I.D. |
| Effexor XR | 37.5 mg | All | 1.0 cap | Q.D. |
| | 75 mg | All | 1.0 cap | Q.D. |
| | 150 mg | All | 1.0 cap | Q.D. |
| Fluoxetine Hydrochloride | 10 mg | All | 1.0 pu | Q.D. |
| | 20 mg | All | 1.0 pu | Q.D. |
| | 20 mg/5 ml | All | 1.0 pu | Q.D. |
| | 40 mg | All | 1.0 pu | Q.D. |
| Lexapro | 1mg/ml | All | 1.0ml | Q.D. |
| | 10mg | All | 1.0 tab | Q.D. |
| | 20mg | All | 1.0 tab | Q.D. |
| Paxil | 10 mg | All | 1.0 tab | Q.D. |
| | 20 mg | All | 1.0 tab | Q.D. |
| | 30 mg | All | 1.0 tab | Q.D. |
| | 40 mg | All | 1.0 tab | Q.D. |
| | 10 mg/5 ml | All | 1.0 ml | Q.D. |
| Paxil CR | 12.5 mg | All | 1.0 tab | Q.D. |
| | 25 mg | All | 1.0 tab | Q.D. |
| | 37.5 mg | All | 1.0 tab | Q.D. |
| Paroxetine | 10mg | All | 1.0 tab | Q.D. |
| | 20mg | All | 1.0 tab | Q.D. |
| | 30mg | All | 1.0 tab | Q.D. |
| | 40mg | All | 1.0 tab | Q.D. |
| Prozac | 10 mg | All | 1.0 pu | Q.D. |
| | 20 mg | All | 1.0 pu | Q.D. |

| Product | Strength | Package Size | Unit (PU, ML) | Dose |
|---|---|---|---|---|
| | 20 mg/5 ml | All | 1.0 ml | Q.D. |
| | 40 mg | All | 1.0 pu | Q.D. |
| Prozac Weekly | 90 mg | All | 1.0 pu | Q.W. |
| Remeron | 15 mg | All | 1.0 tab | Q.D. |
| | 30 mg | All | 1.0 tab | Q.D. |
| | 45 mg | All | 1.0 tab | Q.D. |
| Remeron Soltab | 15 mg | All | 1.0 tab | Q.D. |
| | 30 mg | All | 1.0 tab | Q.D. |
| | 45 mg | All | 1.0 tab | Q.D. |
| Wellbutrin | 75mg | All | 1.0 tab | T.I.D. |
| | 100mg | All | 1.0 tab | T.I.D. |
| Wellbutrin SR | 100 mg | All | 1.0 tab | B.I.D. |
| | 150 mg | All | 1.0 tab | B.I.D. |
| | 200 mg | All | 1.0 tab | B.I.D. |
| Wellbutrin XL | 150 mg | All | 1.0 tab | Q.D. |
| | 300 mg | All | 1.0 tab | Q.D. |
| Zoloft | 25 mg | All | 1.0 tab | Q.D. |
| | 50 mg | All | 1.0 tab | Q.D. |
| | 100 mg | All | 1.0 tab | Q.D. |
| | 20 mg/1 ml | All | 1.0 ml | Q.D. |

EXHIBIT C WILL BE UPDATED TO INCLUDE ANY NEW FDA APPROVED COMPETITIVE PRODUCT.

Los Angeles County Department of Mental Health
and Eli Lilly and Company
Business Agreement

## EXHIBIT D

## DIABETIC PERIPHERAL NEUROPATHIC PAIN GROUP

| Product | Strength | Package Size | Unit (PU, ML) | Dose |
|---|---|---|---|---|
| Cymbalta | 20 mg | All | 1.0 cap | Q.D. |
| | 30 mg | All | 1.0 cap | Q.D. |
| | 60 mg | All | 1.0 cap | Q.D. |

DIABETIC PERIPHERAL NEUROPATHIC PAIN GROUP WILL BE UPDATED TO INCLUDE ANY NEW FDA APPROVED COMPETITIVE PRODUCT